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United Nations Industrial Development Organization

Industrial Development Board

Ninth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 18 May 1992, at 10 a.m.

Temporary President: Mr. TOFIGH (Islamic Republic of Iran)
President: Mr. CSERVENY (Hungary)

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The meeting was called to order at 10.45 a.m.

OPENING OF THE NINTH SESSION

1. The TEMPORARY PRESIDENT declared open the ninth session of the Industrial Development Board.

2. The 1990s would be a decade of change, during which new problems, needs and issues would arise, calling for new solutions, ideas and structures. The more dramatic changes would include the transition to a market economy, the privatization of State enterprises and rearrangements in trade. The world was experiencing a globalization of industrial production and financial markets, while at the same time there was an uneven distribution of employment, income and population among the developed and the developing countries. Those differences would affect the ability of the various countries to deal with environmental, economic, social and technological stresses and opportunities.

3. Major recent developments included the end of the Gulf crisis, the reunification of Germany, the separation of Eastern Europe from the former Soviet Union, the creation of independent republics in the former Soviet Union and political changes in Afghanistan. International organizations, and especially UNIDO, would have to play a greater role in the social and industrial rehabilitation of the countries embarking on a new existence. In particular, he appealed for increased assistance for Afghanistan. The newly independent countries of the former Soviet Union and the African countries also stood in urgent need of help.

4. After referring to the important decisions of the Copenhagen Conference on Economically Sustainable Industrial Development and the fourth session of the General Conference, he wished the new President every success in his work.

ELECTION OF OFFICERS

5. The TEMPORARY PRESIDENT said that he had received the following nominations: Mr. Cserveny (Hungary) for the post of President; Mrs. Machado Quintella (Brazil), Mr. El-Hussein (Sudan) and Mr. Clark (United Kingdom) for the three posts of Vice-President; and that of Mr. Damanpak Jami (Islamic Republic of Iran) for the post of Rapporteur. If he heard no objection, he would take it that the Board agreed to those nominations.

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6. The President, Vice Presidents and Rapporteur nominated were elected by acclamation.

7. Mr. Cserveny (Hungary) took the Chair.

8. The PRESIDENT thanked the members of the Board for the confidence they had shown in his country and himself by electing him President.

9. It was the Board's task to carry forward the message of the fourth session of the General Conference and to make a concrete response to the rapidly changing conditions in which UNIDO worked. The collapse of the communist system had opened real opportunities for democratization, a pluralistic society and the creation of a market economy. UNIDO was involved in a new game and must take the time to work out new rules that would enable it to operate within the new realities. It was therefore encouraging to note a growing recognition of the need to reform the United Nations system in general and UNIDO in particular. With a modern strategic, operational and administrative planning system, UNIDO should be able to establish priorities among its activities, identify strategic issues, project future scenarios and thereby become a centre of excellence in its field. To that end, the Board would have to offer guidance to the Secretariat that would enable it to link the strategies formulated to well-designed financial plans and budgets.

10. At the present session the Board would be called upon to approve the Director-General's recommendations for the posts of three Deputy Directors-General. The wide-ranging consultations that had been held showed that the top management now recognized that individuals had an increasingly important part to play in making UNIDO effective. The decision whether to approve the Director-General's recommendations would be the responsibility of the Board as a whole.

11. Success in plotting UNIDO's future course would depend on the willingness of the Board, the Secretariat and Member States to make a candid appraisal of its strengths and weaknesses and to recognize that the final evaluation must be made by those who were to benefit from the Organization's activities. Self-criticism was not easy, but he felt confident that all were ready to challenge old assumptions and to design a UNIDO adapted to changing conditions in the world.

ADOPTION OF THE AGENDA FOR THE NINTH SESSION (IDB.9/1)

12. The PRESIDENT invited the Board to consider the provisional agenda (IDB.9/1), on which he understood there was general agreement.

13. Mr. ONSY (Egypt), speaking on behalf of the Arab countries, proposed the addition of a new item 18 entitled "Information on one intergovernmental organization wishing to enter into agreement with UNIDO". The organization in question was the League of Arab States, which had been cooperating with UNIDO since before it became a specialized agency, and now wished to enter into a formal cooperation agreement.

14. The PRESIDENT said he took it that the Board approved the inclusion of the proposed new item.

15. It was so agreed.

16. Mr. ARASTOO (Islamic Republic of Iran) suggested that the wording of agenda item 4 should be amended to read: "UNIDO policies, UNIDO energy programme", which was the subject of document IDB.9/9.

17. The PRESIDENT said he took it that the Board approved that suggestion.

18. It was so agreed.

19. The provisional agenda (IDB.9/1), as amended, was adopted.

STATEMENT BY THE DIRECTOR-GENERAL

20. Mr. SIAZON (Director-General), after welcoming Australia, which had recently returned to UNIDO, and Armenia, which had recently become a Member of the Organization, said that he would provide, first, an overview of the previous year's accomplishments; second, an update on the financial situation; and third, an outline of the agenda for 1992 and 1993.

21. Against a backdrop of rapid and radical change sweeping the globe, most developing countries continued to face myriad problems and hardship. As they went about the task of meeting those challenges, they were in greater need than ever before of access to markets, technology and finance. True global prosperity demanded that the developing countries - particularly those in Africa - should become full and equal partners in economic progress. Guided by that principle, UNIDO had continued to make its contribution to the process of industrial development and economic growth in the developing countries.

22. In 1991, technical cooperation deliveries had amounted to $147.5 million, down from the record high of $159.6 million in 1990. Nevertheless, the total for the two-year period represented an increase of 21 per cent as compared with 1988-1989. The drop in delivery in 1991 had been due to disruption caused by war or civil strife in some 20 programme countries, to a lower rate of project approval as the new UNDP successor arrangements began to take effect, and to the delayed payment of assessed contributions. Furthermore, the Organization had had to operate with a higher-than-normal vacancy factor in its regular budget. Overall project quality had, however, maintained the trend of the past five years, and it should also be noted that UNIDO was the most cost-effective of the European-based agencies.

23. In the field of industrial investment, UNIDO had promoted projects to the value of some $890 million in 1991, which, combined with the value of investment projects promoted by the Industrial Cooperation Centres in Moscow and Beijing, brought its total investment record in the past two years to over $2 billion. The success enjoyed by the Organization's investment promotion activities had led other cities, such as Montreal, to express an interest in the same approach as the private sector became aware of the benefits it could secure from UNIDO. Moreover, expansion of the Investment Promotion Service network continued apace, with new offices about to be set up in Athens and Lisbon, while cooperation with the World Bank and regional financial institutions was expanding.

24. Investment promotion and trust-fund activities had contributed to greater harmony

between countries that would not normally cooperate with one another for want of diplomatic ties. Furthermore, UNIDO's activities had contributed to the economic liberalization process in Viet Nam, and it hoped to put its experience to good effect in other economies in transition, in particular in Central and Eastern Europe and in Africa. Increased support was being given to the International Centre for Genetic Engineering and Biotechnology and he was pleased to report that UNIDO was applying for a patent to cover a substance - peptide OS which, it was hoped, could be used for a vaccine against hepatitis B - developed by scientists at the New Delhi component of the Centre. He hoped that countries which had not yet joined the Centre would now decide to do so.

25. Turning to the financial situation, he noted that UNIDO had been forced to adopt a very conservative policy, which had resulted in an underrun in the regular budget for 1990-1991 of the order of $2 million - the highest unexpended balance to date. One reason had been the fact that programmed activities could not be carried out because the cash had not been available at the time. Member States had agreed to UNIDO retaining the unutilized balance from earlier bienniums to facilitate the work of the Organization, thus providing it with much needed capital. A report on the matter by the External Auditor would shortly be available.

26. No such "savings" had been achieved in the operational budget in 1990-1991. On the contrary, because of higher salary costs and falling delivery rates, some $1.4 million of the total reserve and fund balance had had to be used in the biennium to maintain programme delivery. At the end of 1991, the balance had stood at $9.7 million, compared to $11 million at the end of 1989 and $7.4 million at the end of 1987. If 1991 had been difficult, 1992 and 1993 might well be even more so, primarily on account of the failure or inability of some Member States to pay their assessed contributions. That, coupled with the slow-down in UNDP project approvals and the delay in putting the successor arrangements into effect, did not bode well for the financial future of UNIDO.

27. The situation with respect to outstanding assessed contributions was distressing. As of 30 April, the Organization had been owed funds of the order of $98 million, more than the total budget for the current year, while as of 15 May, 46 Member States, including six members of the Board, had lost their right to vote. Cash deficits were expected for July, September and October. He might therefore have to accept once again, on an exceptional basis, partial payment of assessed contributions. Nevertheless, Member States seemed to assume that the Organization could continue to meet its programme delivery targets and even plan for expanded operations. In his view, no organization could function rationally in such an environment, and it might prove necessary at some stage to consider a system of incentives and disincentives in order to secure prompt payment of assessed contributions.

28. With hindsight, it might appear that the original operational income estimates for 1992 were a little high. However, the situation did not defy solution. In the first place, dependence on income from UNDP projects was diminishing, having dropped from 74 per cent in 1986 to 52 per cent in 1991. Secondly, other sources of operational income were growing, the share of trust funds having risen from close on 7 per cent to 21 per cent over the same period. Thirdly, UNIDO had an uncommitted operational budget reserve on which it could draw, and fourthly, it had enjoyed some success in its endeavours to keep expenditure in line with expected income. In the final analysis, the solution to the Organization's financial predicament depended on Member States fulfilling their constitutional obligations, and he appealed to them once again to pay their assessed contributions in full and on time.

29. Turning to the Organization's agenda for the present and the immediate future, he said that the mood of revival permeating the United Nations system was also being felt in the specialized agencies, whose role as centres of excellence was seen to be increasingly important. UNIDO was one agency where specialization and excellence would be keys to survival. Political decisions would thus be necessary in order to establish a clear order of priorities for the Organization's activities. Crucial to that debate would be the advice given the previous year by the Special Advisory Group, on the strategy mix proposed for UNIDO as part of its vision for the future. That mix had consisted of three elements: normative activities, policy support and consultancy. The normative strategy had emphasized the formulation of internationally agreed concepts, norms and guidelines as well as provision of comparative information and analyses in critical areas of cross-country relevance. The policy support strategy had aimed at providing advisory services, primarily to Governments, in the framework of specific projects and generally on a cost-coverage basis. The consultancy strategy had been directed at strengthening the position of UNIDO within the United Nations system as a provider of services to public and private industry on a cost-plus basis.

30. Critical to that strategy would be the relationship between UNIDO and UNDP in the context of the tripartite system of cooperation, to which the Organization fully subscribed. It was also intent on ensuring close cooperation in the field, through its Country Directors, who were integral members of the UNDP field offices and acted as Deputy UNIDO Representatives. Yet their very position was threatened by a probable reduction in the number of UNDP-financed posts and the shortfall in operational budget funding. Hence the proposal that in future Member States should consider financing a number of UCD posts from the regular budget of UNIDO.

31. UNIDO supported the efforts by the new Secretary-General of the United Nations to secure unified United Nations country offices. At the first ACC meeting chaired by the Secretary-General the previous month, it had, however, been pointed out that it would only be realistic for UNDP to act as a field coordinator in the United Nations development system as long as the Programme itself remained a funding source and coordinating body, and not an active executing agency intent upon competing with the specialized agencies it was supposed to coordinate - a state of affairs that was clearly not conducive to effective coordination.

32. It would help the Organization immensely if Member States were to ensure that their decisions in the different governing bodies of the United Nations were consistent with each other.

The need for coordination would also come to the fore when the United Nations and UNDP opened their six unified offices in the Commonwealth of Independent States.

33. A further element in the future agenda was the organizational restructuring of UNIDO. In the immediate future, he intended to put into effect a number of organizational changes designed to streamline operations in the Secretariat. Those changes would largely involve the Department for Industrial Promotion, Consultations and Technology. The two technology divisions in the Department would be reunited and the Industrial Investment Division would acquire an additional branch, the Feasibility Studies Branch, from the Department of Industrial Operations. He was also considering the possibility of moving the Industrial Cooperation and Funds Mobilization Division to the same Department in order to facilitate coordination with the Industrial Investment Division, while moving the System of Consultations to the Department for Programme and Project Development, so that it could work more closely with the Industrial Policy and Perspectives Division. The terms of reference of the Environment Coordination Unit would also shortly be reissued, so as to delineate more clearly its responsibilities vis-à-vis other units in the Secretariat. In November 1992 he would be presenting for the consideration of the Board a new restructuring proposal, which should enter into effect on 1 January 1994. Basically, the proposal would entail reducing the five current Departments to three, thus simplifying structures, enhancing internal coordination, strengthening technical capacity and improving the country programme management system. The proposal would be prepared on the basis of further consultations between management and staff.

34. The reform of the organizational structure must be matched by changes in current operating policies and procedures. A key element in that endeavour was the improvement of project design and appraisal. UNIDO was, for instance, currently introducing the objectives-oriented project planning system originally developed by the German Agency for Technical Cooperation, which was used to good effect by other bilateral agencies. In addition to providing a logical framework and increasing the participation of the recipients in project planning, the approach was expected to improve project quality in terms of development impact, relevance, cost-effectiveness and sustainability. Following the success achieved with the system the previous year, the General Conference had recommended that the approach should be used, as far as was possible, for all projects. Every effort would be made to capitalize on the system, while at the same time endeavouring to improve overall programme and project quality through the systematic use of evaluation.

35. A system of periodic meetings with major donors had also been instituted, in order to facilitate the process of project negotiation and approval. Those efforts would continue in such crucial areas as the application of an integrated programme approach and the modification of the programme and project cycles. To that end, staff skills were being continually upgraded through workshops on project design and computer applications and through management development courses. Increasing the availability of such courses was one way of expressing his gratitude to staff for their unwavering commitment and dedication to the Organization.

36. The Organization had demonstrated its ability to provide services on a cost-competitive basis. The moral was that, even in the short term, UNIDO should focus on those areas of activities where it had a significant advantage, thus ensuring itself a stable source of income with which to support the staff essential for its technical operations. It was already carrying out procurement on behalf of the World Bank, and looked forward to expanding that area of activity both with the World Bank and with other agencies. Building on known strengths had also been the motive for the intensification of its joint activities with financial institutions in other fields. It was to be hoped that the income thereby earned would enable the Organization to cover the shortfall expected in the operational budget.

37. Another element of crucial importance to the future of UNIDO was increased cooperation with the private sector, which had been the direct outcome of the Organization's energetic investment promotion activities and innovative trust-fund projects. UNIDO relied to a great extent on private-sector companies in developing and developed countries to carry out its work. The private-sector companies commanded the technological, financial and managerial resources it needed, while, as an impartial agency, it could provide those companies with access to projects that offered commercial potential and good prospects of long-term industrial cooperation. Given that trend towards growing cooperation with the private sector, UNIDO would not only need staff members with broad private-sector experience, but also clear policy guidelines from Member States on how the Organization should proceed.

38. Its success in moving ahead with that agenda would hinge on the ability of Member States and the Secretariat to work together much more closely than in the past. Running the Organization was a shared responsibility that required the closest of partnerships. Much more could be achieved by UNIDO, were there to be a more effective system of governance by the policy-making organs, with the day-to-day management of the Organization left largely to the Secretariat. It was equally important to secure a stable financial environment. The Secretariat, for its part, had to continue to demonstrate its responsiveness to the needs of the Member States it served. As outgoing Director-General, his uppermost concern was to hand over a revitalized and efficient Organization to his successor. He was sure that that was a concern shared by all.

ORGANIZATION OF WORK

39. The PRESIDENT drew attention to the tentative schedule of work for the session, which had been agreed upon at the meeting of heads of delegations preceding the present plenary meeting. It was understood that, should the debate on an item be completed earlier than scheduled, the next item listed would be taken up immediately.

40. Mr. RIOBO (Chile) said that his delegation was able to accept the proposed tentative schedule of work only up to and including the third plenary meeting. It would state its position regarding subsequent meetings at a later date.

41. The PRESIDENT said that note would be taken of the position expressed by the delegation of Chile. With that proviso, he would assume that the Board agreed with the proposed tentative order in which agenda items would be considered.

42. It was so decided

43. The PRESIDENT suggested that, to achieve economies and ensure the effective utilization of conference-servicing resources, the Board might wish to suspend the quorum requirement laid down in rule 32 of the rules of procedure, as it had done at previous sessions. Under rule 80 of the rules of procedure, that decision could take effect immediately, without the prescribed 24 hours' notice, if no member objected. If he heard no objection, he would take it that the Board wished to suspend, for its ninth session only, and with immediate effect, rule 32 of the rules of procedure on the understanding that the measure would apply only to meetings at which no substantive decision was to be taken.

44. It was so decided.

45. The PRESIDENT reminded the Board of the recommendations for the conduct of its business and rationalization of proceedings which it had made at its fifth session in decision IDB.5/Dec.46.

REPRESENTATION OF YUGOSLAVIA

46. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the States members of the European Community, said that the twelve member States had taken note of the declaration by the representatives of the People's Republic of Serbia and the Republic of Montenegro dated 27 April 1992, which stated that the Federal Republic of Yugoslavia continued "the state, international, legal and political personality of the Federal Socialist Republic of Yugoslavia". That declaration raised questions related to the continuity of Yugoslavia's membership of international organizations and conferences, including UNIDO, which were under consideration. As a matter of fact, the twelve States members of the European Community had not accepted the automatic continuity of the Federal Republic of Yugoslavia in international organizations and conferences, including UNIDO. At the current stage, they reserved their position on that question and considered that the participation of the delegation in question as an observer in the Industrial Development Board of UNIDO was without prejudice to future decisions which might be taken on that and related issues.

47. Mr. HART (Observer for Australia) drew the attention of the Board to the fact that the representatives of the Czech and Slovak Federal Republic, Finland, Hungary, Norway, Sweden, Switzerland, Turkey, the United States of America and his own country had sent a letter to the President of the Board on 18 May 1992 saying that they had taken note of the declaration by the representatives of the People's Republic of Serbia and the Republic of Montenegro dated 27 April 1992, which stated that the Federal Republic of Yugoslavia continued "the state, international, legal and political personality of the Federal Socialist Republic of Yugoslavia". That declaration raised questions related to the continuity of Yugoslavia's membership of international organizations and conferences, including UNIDO, which were under consideration. As a matter of fact, Australia, the Czech and Slovak Federal Republic, Finland, Hungary, Norway, Sweden, Switzerland, Turkey and the United States of America had not accepted the automatic continuity of the Federal Republic of Yugoslavia in international organizations and conferences, including UNIDO. At the current stage, they reserved their position on that question and considered that the participation of the delegation in question as an observer in the ninth session of the Industrial Development Board of UNIDO was without prejudice to future decisions which might be taken on that and related issues.

48. Mr. WOJAVA (Austria) said that the constitution of the Federal Republic of Yugoslavia was a further important step in the process of dissolution of the Socialist federal Republic of Yugoslavia referred to in opinion No. 1 of the Arbitration Committee of the European Community Conference on Yugoslavia. There was no legal basis for an automatic continuation of the legal existence of the former Socialist federal Republic of Yugoslavia by the federal Republic of Yugoslavia, which could thus not be considered as continuing the Yugoslav membership in UNIDO. The criteria to be applied in any future recognition of the Federal Republic of Yugoslavia should be those contained in the guidelines on recognition of new States adopted by the Council of the European Communities on 16 December 1991. In that regard, Austria drew special attention to the requirements of protection of human rights and the rights of ethnic groups. His delegation considered the presence of a delegation from Yugoslavia at the current session as without prejudice to future decisions which might be taken on that issue.

49. Mr. LAVROV (Russian Federation) said that his delegation took it that the statements made by other delegations did not affect the exercise by the Federal Republic of Yugoslavia of its rights and obligations as an observer and that they did not prejudge any decisions that might be taken regarding the participation of the federal Republic of Yugoslavia in international organizations.

50. Mr. MORAN (Observer for Canada) said that in a letter dated 5 May 1992 from the Permanent Representative of Canada to the United Nations addressed to the Secretary-General (A/45/909; S/23883), Canada had stated that it had taken note of the declaration by the representatives of the people of the Republic of Serbia and the Republic of Montenegro on 27 April 1992, announcing the creation of the Federal Republic of Yugoslavia. The Government of Canada had wished to place on record its view that the current participation of representatives of the Federal Republic of Yugoslavia in the United Nations General Assembly and other United Nations bodies was without prejudice to the eventual determination of the status of the Federal Republic of Yugoslavia. The Conference on Yugoslavia was currently addressing the issues of the continuity of and succession to the Yugoslav State. The Permanent Representative of Canada had requested that his letter should be circulated as a document of the General Assembly, under agenda item 68, and of the Security Council.

51. The PRESIDENT said that, if he heard no objection, pursuant to rule 77 (d) of the rules of procedure, he would give the floor to the observer occupying the place of the former Member State Yugoslavia to reply in accordance with rule 38 of the rules of procedure.

52. It was so decided.

53. Ms. DJURICKOVIC-IUVIC (Observer for Yugoslavia) said that on 27 April 1992 the Permanent Mission of Yugoslavia had announced that the Assembly of the Socialist Federal Republic of Yugoslavia had promulgated the Constitution of the Federal Republic of Yugoslavia. Under the Constitution, strictly respecting the continuity of the international personality of Yugoslavia, the Federal Republic of Yugoslavia was to continue to fulfil all the rights conferred on and obligations assumed by the Socialist Federal Republic of Yugoslavia in international relations, including its membership in all international organizations and participation in international treaties ratified or acceded to by Yugoslavia. The Federal Republic of Yugoslavia, as a founding Member of the United Nations, acknowledged its full commitment to the world organization, to the United Nations Charter and to the Conference on Security and Cooperation in Europe. The Federal Republic of Yugoslavia would continue to pursue Yugoslavia's foreign policy of the broadest possible equitable cooperation with all parties involved in international affairs, including its activities in the Non-Aligned Movement. It would cooperate with other participants in the Conference on Yugoslavia headed by Lord Carrington, in order, inter alia, to ensure a speedy and just distribution of the rights and responsibilities of the Socialist Federal Republic of Yugoslavia between the Federal Republic of Yugoslavia and the other republics. At the same time, it would enable those republics, if they so wished, to continue an independent membership in international organizations and participation in international treaties. Needless to say, the Yugoslav delegation would act in accordance with those decisions.

The meeting rose at 12 noon.

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United Nations Industrial Development Organization

Industrial Development Board

Ninth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 18 May 1992, at 3 p.m.

President: Mr. CSERVENY (Hungary)

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The meeting was called to order at 3.10 p.m.

ORGANIZATION OF WORK (continued)

1. The PRESIDENT said that the Bureau had decided to recommend to the Board that informal in-session consultations aimed at facilitating the drafting of decisions should be held. All members of the Board would be urged to participate in the consultations. The Bureau had also recommended that, in her capacity as Vice-President of the Board, Mrs. Machado Quintella (Brazil) should preside over such consultation meetings. So as not to prejudge the results of debates in plenary meeting, it had also recommended that draft decisions should be discussed in the informal consultations only after the debates on the subject had been concluded.

2. Mr. ANGUIANO (Mexico) asked whether a drafting committee would be established as well.

3. The PRESIDENT said that the informal consultations would act as a drafting committee.

4. If he heard no further comments, he would take it that the Board wished to adopt the procedure he had outlined.

5. It was so decided.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1991 ON THE ACTIVITIES OF THE ORGANIZATION (IDB.9/10 and Corr.1 and Add.1 and 2).

6. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, welcomed the annual report of UNIDO for 1991 (IDB.9/10 and Corr.1 and Add.1 and 2). They repeated the suggestion they had made at the previous session that the report would benefit from the inclusion of a general overview in the form of a brief preface by the Director-General summarizing the year's activities and outlining the specific aims and strategies for the next year. Although the report made it clear that in many respects UNIDO had adapted itself successfully to the changing situation of 1991, its activities were still insufficiently focused. The members of the Community were gratified that project delivery had largely been maintained, despite the continuing threat represented by the failure of Member States of the Organization to meet their financial obligations to UNIDO on time. He nevertheless asked the Secretariat to explain why overall project delivery had fallen since the previous year, as well as project approvals and the residual stock of projects, and why the proportion of aid given to human resources development had more than halved since 1990.

7. The Community countries stressed again the value of the country- and region-specific studies

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and programme support activities outlined in paragraphs 2-8 of chapter II of the report, but they were less convinced of the need for the global reviews mentioned in paragraphs 9-10, which might be too remote from the realities facing developing countries and too general in their findings. The members of the Community appreciated the programme development support described in paragraphs 44-48, but would welcome assurances from the Secretariat that the attempt to establish a set pattern for UNIDO's approaches to technical cooperation would not lead to academic rather than practical responses to specific situations.

8. The countries of the Community stressed the need for UNIDO to cooperate closely with FAO in dealing with the development of agro-based industries in the third world. In its work on engineering industries, the Organization should be careful to consider the appropriateness of advanced technology for the degree of factor endowment of the locality concerned and the country's capacity for absorbing the technology envisaged. The growing role played by technology transfer in many technical cooperation projects was commendable.

9. The members of the Community reiterated their view that women should be integrated in all industrial development projects and they welcomed the steps that UNIDO had taken towards ensuring that. They continued to deplore the low percentage of female fellowships and study tours and asked how many female experts had been recruited in 1991.

10. They welcomed the action taken by the Organization to incorporate environmental concerns into UNIDO's activities. It should cooperate closely with other organizations, particularly UNEP, in order to avoid duplicating their work in that field. The report provided encouraging evidence of the Organization's increasing interest in appraisal, evaluation and internal audit. Although an activity that was being evaluated was usually a worthwhile one, that should not be taken for granted; the first question must be whether that was so, and the second whether the activity had been well conceived and executed. It was clear that UNIDO fully recognized the importance of planning projects in advance and appraising them during execution.

11. The Community countries would be glad to hear from the Secretariat whether UNIDO would be able to maintain a reasonable number of UNIDO Country Directors (UCDs) from UNDP funds. If UNDP support for the UCD programme faltered, it would have to be financed in some other way, since it was valuable both for the Organization and for the United Nations as a whole. The arrangements for field coordination with UNDP and for placements of UCDs in UNDP country representations must be maintained.

12. In conclusion, the members of the Community urged once again that in-house training should be directed to other important matters, in addition to computer training.

13. Mr. ONSY (Egypt) regretted the continued shortage of resources arising from the failure of Member States to fulfil their obligations and the adverse impact on technical cooperation and industrial development in the developing world. It was a matter of urgency for UNIDO to draw up an integrated strategy to deal with the expected impact of the new successor arrangements and execution by national Governments of UNDP-funded development projects on the operational budget. There should be a sharing of expertise at the national and international levels, and a clearer definition of the fields and mechanisms whereby UNIDO could support national execution; the particular fields of expertise offered by UNIDO and the utility of continuing to concentrate expertise on those fields should be considered. It should eventually be possible to predict the volume of UNIDO participation in future UNDP cycles, which would render the programme approach more effective for resources planning.

14. Regarding appraisal and project development, he stressed the importance of enhancing design skills. It was important to achieve overall project quality at all stages. There was a need to provide the necessary indicators for post-implementation assessment of project sustainability, and to make good use of terminal reports, which indicated the proportion of completed elements to design objectives, in measuring the effectiveness of completed projects, in order to avoid having to revise project element percentages when preparing project performance evaluation reports.

15. He welcomed the response of UNIDO to political and economic developments in Africa regarding coordination of long-term industrial planning and structural adjustment programmes and of the Second Industrial Development Decade for Africa and the programmes of the fifth and sixth UNDP programming cycles. However, he drew attention to the possible impact of the financial situation of UNIDO on allocations to the Second Industrial Development Decade. He regretted that technical assistance funding to the Arab countries had fallen in 1991 from $21.5 million to $13.5 million, owing to the political circumstances of the region, to the slack period between the fourth and fifth UNDP programming cycles and to the fact that the new orientation of the UNDP programme approach had slowed down UNIDO plans for future cooperation. He felt that the political circumstances of the region should have led the Organization to intensify its activities and to make sound preparations for the fifth programming cycle.

16. Finally, he expressed his disappointment with the progress report on technical assistance to the Palestinian people (IDB.9/10/Add.1), which gave an account of UNIDO contacts with the UNDP office in Jerusalem with a view to future collaboration and programme and project development, and a joint review of progress regarding a UNDP needs assessment report. He reminded the Board of the resolutions adopted at the third and fourth sessions of the General Conference and once again requested that an economic unit should be established within the Secretariat in place of the current Focal Point, and that practical steps should be taken to implement technical assistance projects already prepared by the Organization and report on the results.

17. Mr. ANGUIANO (Mexico) said he was glad to see that the annual report included the performance report, as called for in Board decision IDB.7/Dec.11, in a satisfactory manner. The annual report should describe, in an objective and

transparent way, all the activities of the Organization during the period it reviewed. Unfortunately, the report continued to suffer from a lack of transparency, excessive repetition, doubtful generalizations and above all an absence of structure and of data which would enable UNIDO's governing bodies to assess the effectiveness of the Organization's contribution to the industrialization of the developing countries and the expansion of international industrial cooperation.

18. Traditionally, UNIDO's success had been measured by the amount of its expenditure on technical cooperation. In 1991 that had dropped by 7.5 per cent overall in comparison with the previous year, and by 12.3 per cent in Latin America and the Caribbean, while overall project approvals had fallen by 20 per cent. However, the level of technical cooperation expenditure simply indicated the volume of resources passing through UNIDO's hands and was no measure of its efficiency in using them. In paragraph 28 of chapter I of the report it was stated that the budget adopted for the biennium 1992-1993 represented negative real growth in the regular budget. His delegation believed that judgement to be premature, since there had in fact been a nominal growth of 25 per cent; only at the end of the biennium, when the precise figure for inflation in Austria was known, would it be possible to say whether or not that 25 per cent increase had meant a change in the present policy of zero real growth. Another fact not easily ascertained from the report was the size of staff costs; it was necessary to go to table 9 of the statistical annex to discover that they accounted for three quarters of the expenditure under the Organization's regular and operational budgets.

19. Mr. MBEGABOLAWE (Zimbabwe) said that his country was participating in the present session as a member of the Board for the first time and would cooperate fully in efforts to increase UNIDO's contribution to industrial reform in the developing countries. The effectiveness of UNIDO depended on its striking the right balance between its limited resources and the increasing demands placed on it. Stress was being laid on rationalization and prioritization of activities throughout the United Nations system. Serious consideration must be given to the proposition in the report that it was time to tackle the question of prioritizing the activities of UNIDO.

20. His own country was implementing a structural adjustment programme designed to reinvigorate the economy by eliminating structural imbalances that had inhibited growth. The programme linked trade, macroeconomic policies, agriculture, investment, industry and human resources development. The reform at which the programme aimed should both boost industry and be boosted by it. UNIDO's technical cooperation with Zimbabwe had included specialized assistance for its steel industry and support for rural-based small and large industries and for institutional and human skills development. The Organization's expertise would be even more valuable as the reform programme impelled industries towards rehabilitation and the adaptation of their activities to an international economic environment in which competitiveness was fundamental to survival.

21. The drought which was ravaging his country and others in southern Africa had a direct impact on agricultural production and exports and was taking a severe toll of Zimbabwe's industry, which depended heavily on agricultural produce. His country was grateful to those Governments and organizations which had responded to its call for help. It hoped that UNIDO too would come to its assistance in one way or another. The implementation of the programme for the Second Industrial Development Decade for Africa would be an important factor in Zimbabwe's industrial survival during the drought and in the success of its structural reforms. He hoped that the Board would take decisions on investment promotion, transfer of technology and industrial development cooperation that would be of practical relevance to its development.

22. Mr. BAKSHI (India) welcomed the comprehensive report. His delegation noted that technical assistance delivery in the biennium 1990-1991 had been some 60 per cent higher than in the 1986-1987 biennium and that the value of investment projects successfully promoted in the former had been four times greater than in the latter. It was disturbed, however, that the value of project approvals had fallen between 1990 and 1991. That situation had arisen at the start of a new UNDP programming cycle in which revised successor arrangements would operate. His delegation had been dismayed to read in paragraph 13 of the Director-General's report on UNIDO's financial situation (IDB.9/16) that the serious delay in the implementation of those arrangements was expected to affect income adversely and that, as a result, initial 1992 allotments under the operational budget were 17 per cent lower than estimates included in the 1992-1993 programme and budget.

23. As a measure of its faith in the Organization, India contributed generously to the Industrial Development Fund, provided experts and awarded technical cooperation projects to UNIDO under IPF funding. UNIDO should concentrate on making the optimal use of its resources in the industrialization of the developing world. It must continue to act as a catalyst in attracting multilateral and bilateral funds to supplement its own efforts. The Organization's future policy, role and structure should be clearly defined in accordance with the priorities laid down in the medium-term plan and in the light of resource projections and emerging demands for advanced and environmentally sound technology and energy conservation. With the changes taking place in the world and in the United Nations system, UNIDO had an excellent opportunity to redefine its role. Its future and its success in attracting multilateral financial support would depend on how it did so.

24. His delegation took the view that technical cooperation was clearly defined in specific terms in Article 2 of the Constitution of UNIDO. In the opinion of some, equipment should receive greater emphasis in technical cooperation activities than expertise and training. The choice should be left to the discretion of the recipient country according to available resources and regional conditions. Projects must be designed in such a way as to ensure their relevance, cost-effectiveness and sustainability. The Secretariat should be able to report to the Board at its next session that it was successfully following those criteria as a regular measure.

25. Technical assistance delivery by UNIDO had shown gains, but the fact remained that the Lima target of 25 per cent of world industrial

production for the developing countries by the year 2000 remained a very distant dream. The Organization must consider seriously what should be done to make that target achievable. Member States should act collectively to ensure that it was given the necessary means to advance the industrialization of the developing countries towards that goal.

26. His delegation endorsed the call made by the Director-General in his statement at the previous meeting for more countries to join in the work of the International Centre for Genetic Engineering and Biotechnology. In conclusion, his Government was glad to announce that it would contribute $1 million to the Industrial Development Fund in 1992.

27. Mr. AWEIDAH (Observer for Palestine) said that the Palestinian territories were witnessing a great deterioration in economic and social conditions and that the occupation forces had confiscated over 60 per cent of the territory of the West Bank and Gaza Strip, had gained control over more than 80 per cent of the Palestinian water resources and were continuing to build settlements in Palestine and the Golan. The Israeli occupation forces were endeavouring to dominate the Palestinian economy and burdening it with heavy taxes. They were depriving the national economy of its financial and banking institutions and severely controlling imports and exports. Unemployment had risen to 54 per cent, and 50 per cent of the population lived below the poverty line. Industry remained marginal, accounting for no more than 9 per cent of the gross domestic product (GDP). The majority of enterprises had less than ten employees each. Industrial employment accounted for no more than 14 per cent of the workforce. Israeli policies hampered the development of the industrial sector and the creation of job opportunities. The Palestinian industrial sector suffered from a lack of national funding institutions, a poor or destroyed infrastructure, a market flooded with Israeli products, and a lack of competitiveness of national products. UNIDO had attributed its failure to provide any assistance to the Palestinian people over the previous two years to the Gulf crisis and to the scarcity of financial resources. With the Gulf crisis now over, he urged the international community, the United Nations and international, governmental and non-governmental organizations to offer support and financial assistance to alleviate the suffering of the Palestinian people. He hoped that UNIDO would resume its active and vital role and urged the Director-General to establish an economic unit for Palestine. He took note of the work of the Focal Point and hoped that it would be developed until such time as the badly needed economic unit for Palestine could be established. He hoped that UNIDO could thus assist with the training of staff and preparation of projects and programmes needed for industrial development in the occupied Palestinian territories.

28. Mr. KUME (Japan) commended the Organization for the growth it had achieved in various fields since 1986, in spite of its many problems. There had still been no dramatic improvement in the economies of most developing countries, and there were many areas in which the United Nations development system could assist their peoples in attaining improved living standards; Japan would continue its support for the Organization in that regard.

29. His delegation wished to encourage UNIDO to continue to concentrate on improving quality, and not just in respect of technical cooperation projects. Quality should be the key word with all the Organization's activities, especially in view of the decline in operational income. His delegation also welcomed the fact that the activities of the internal audit system were referred to in the annual report for the first time, for they were a factor in bringing greater transparency to the work of the Organization. UNIDO's decision-making bodies had in the past year spent much time on a few administrative subjects, and there had been insufficient discussion of substantive items; accordingly, the Secretariat was requested to assist by ensuring that all necessary documents were distributed well in advance.

30. In identifying those areas in which the Organization's activities should in future be concentrated, it would be unrealistic to continue to expect UNIDO to respond to all requests from developing countries. It would and should become an agency of specialization and excellence; it had to become more competitive if it was to survive. Japan supported UNIDO's restructuring initiative, which should be aimed at turning it into a more effective organization; at the same time, UNIDO should introduce improvements in its internal operations, with smoother multidisciplinary coordination and cooperation among staff members.

31. Mr. WOTAVA (Austria) welcomed UNIDO's dynamic response to the major modifications of the tripartite system which had arisen out of the successor arrangements to the support cost system and the drive towards national execution. The Organization was right in adopting a leaner strategic frame in order more efficiently and more effectively to perform its role as a "centre of excellence" in industrial development. Austria, which had from the outset supported a reform of UNIDO's management structure, hoped that the restructuring debate would soon lead to the "simple, rational and transparent" structure referred to in paragraph 12 of chapter I of the annual report (IDB.9/10).

32. He noted with concern that technical cooperation delivery had fallen from $159.6 million in 1990 to $147.5 million in 1991, and hoped that that was merely a temporary setback as UNIDO adjusted to a more streamlined approach. As regards UNDP projects, UNDP's own funding had not grown to the extent foreseen and seemed to be stagnating.

33. At a time when industrialization was no longer fashionable among development agencies, it was inevitable that UNIDO should be facing difficulties. The poor performance of many Member States in regard to their contributions did not help. Austria was confident that if the Members - donors and recipients alike - were prepared to cooperate and reach a consensus on what they expected from UNIDO and how to ensure that the Organization delivered it, it could survive what was a difficult period. Mutual confidence between Members and the Secretariat would have to be strengthened. One way of helping to bring about a consensus on UNIDO's priorities might be the continuation of the process of informal consultations among heads of permanent missions begun the previous year.

34. Austria shared the Director-General's concern about the disparity between Member States'

expectations and demands and the shortfall in contributions. If Member States believed in the value of UNIDO's contribution to development, they should decide to meet their obligations.

35. Austria welcomed the introduction of the objectives-oriented project planning system, the tabular presentation of performance indicators and the comparison of outputs implemented against outputs planned in the annual report.

36. The growing urgency of appropriate environmental action had at last found expression at all levels of political decision-making, with the United Nations Conference on Environment and Development convening soon at Rio de Janeiro, Brazil; UNIDO had a decisive role to play in transforming conflicts of goals between environmental protection and industrial development into synergistic strategies. Austria had welcomed the holding of the UNIDO Conference on Ecologically Sustainable Industrial Development in October 1991, and awaited with interest the integration of its conclusions and recommendations into the forthcoming medium-term plan.

37. Austria was concerned that only one in every five Professional staff members in the Secretariat was female, but noted that the same ratio applied to job applications. An in-depth evaluation of recruitment policies and strategies might be necessary in order to achieve more equitable distribution. As for the geographical distribution of UNIDO experts, it was surprising that most of the traditional industrialized countries were underrepresented. That was something the Organization should examine, and if possible rectify, since the quality of experts provided was a decisive factor in UNIDO's delivery and affected the Organization's image.

38. As in previous years, Austria's contribution to the Industrial Development Fund had been used to finance the Investment and Industrial Promotion Office in Vienna and UNIDO training programmes for participants from developing countries. Austria was reducing the group training component of its IDF contribution in favour of more feasibility studies and small to medium-sized projects in priority countries. Its continued support of UNIDO's technical operations was reflected in a significant increase in its contribution to IDF in 1991, and it would probably be able to exceed its pledge of 15 million schillings in the current year.

39. Mr. LAVROV (Russian Federation) said that Russia was now bringing a qualitatively new content into its foreign policy, the basis of which was the natural national interests of the country, free of ideology and Messianism.

40. The Russian Federation was living through a very complicated, but also a very promising period in its history. The reforms were beginning to show results. For the first time in many years the Russian economy was speaking the language of finance; senseless expenditure on armaments had been abandoned, thereby liberating the powerful intellectual, industrial and raw material potential of the country for manufacturing purposes and for mutually beneficial relations with other countries, both bilaterally and multilaterally.

41. At the present stage in the transfer to a market economy, the priorities of the Russian Federation included privatization, the stimulation of entrepreneurship, assistance for Russian entrepreneurs in gaining access to world markets, the creation of a favourable climate for attracting foreign investors, training, finding solutions to the problems of employment and a migratory workforce, the provision of a social security safety net, the conversion of defence industries and the harmonization of the rates of reform with those of other countries in the Commonwealth of Independent States. In implementing its reforms, Russia was relying chiefly on its own resources, but placed a high value on external support, especially at the present crucial stage.

42. The Russian Federation was also adopting a new approach to cooperation with the international organizations, among them UNIDO. It was important to free international organizations from the constraints of artificial politicization, and to concentrate the programmes of each specialized agency on the implementation of specific projects within its sphere of competence and in the interests of Member States. Russia wanted the programmes of UNIDO and of the other specialized agencies to yield more practical returns for Russia itself as well as for other States, especially in the developing world. The growing cooperation between the Russian Federation and UNIDO should achieve those aims.

43. It was desirable that UNIDO should be involved in projects on the territory of Russia, such as analysing the situation of industry in individual regions, organizing courses and seminars, training managers, carrying out pre-investment surveys and feasibility studies, and helping to attract foreign capital. There had already been a concrete example of such cooperation in developing a project for a free economic zone in Primorsky Kray, carried out with the participation of UNIDO and Japanese consulting engineers. Special attention was being given to cooperation with UNIDO in the area of defence conversion, and there were a number of specific projects which were of interest both to Russian entrepreneurs and to UNIDO Member States and businessmen in other countries. Assistance was being given by the UNIDO Secretariat, and further activity would follow the signing in April 1992 of a Memorandum of Cooperation between the Russian Ministry of Industry and UNIDO. It was also to be hoped that cooperation with UNIDO would continue in connection with the consequences of the Chernobyl accident, and that that cooperation would involve the participation of the European Bank for Reconstruction and Development. The UNIDO Centre for International Industrial Cooperation in Moscow had been of particular assistance.

44. The Russian Federation made a positive assessment of the results of the Organization's activities in 1991, but considered that further steps were needed to increase its effectiveness in the new circumstances. Russia supported the broadening of UNIDO's activities through the development of direct business links, even at the level of individual enterprises and research institutes. It was important to increase the effectiveness of UNIDO's activity in solving the problems of individual branches of industry in developing countries, and to improve the System of Consultations, develop projects in technology transfer, compile industrial data and prepare sectoral surveys. There should be a greater practical return on UNIDO's projects under the Second Industrial Development Decade for Africa,

special regional cooperation programmes, projects to help the least developed countries, Namibia and the Palestinian people and to promote the integration of women in the development process. Fuller use should be made of special-purpose funds.

45. The countries of Eastern Europe and the Commonwealth of Independent States were living through a period of radical transformations that were having a profound impact on the world economy. Unfortunately, the real nature of that influence was insufficiently analysed in the annual report.

46. UNIDO should analyse the structure of world industrial development in cooperation with the United Nations regional commissions. More attention should be given to improving the forms and methods of UNIDO's cooperation with other parts of the United Nations system, avoiding duplication and ensuring that programmes were mutually complementary. In that connection, the increase in contacts between UNIDO and the World Bank and regional banks were particularly welcome. More attention must be given to coordination, taking into consideration the strengthening of the constitutional role of the Economic and Social Council, and a coordinated approach must be adopted to budgetary policy and staff issues in the common system. The solution of such problems was of crucial importance for the effectiveness of multilateral cooperation. UNIDO's financial difficulties had been caused to a large extent by tardiness on the part of a number of countries in paying their assessed contributions. In spite of the very difficult economic situation in the Russian Federation, his country, as the successor to the former Union of Soviet Socialist Republics in UNIDO, had taken the necessary steps to honour its commitment to the Organization, and his delegation was prepared in every way to assist UNIDO in solving the important questions of international cooperation in the field of industrial development.

47. Mr. MA'AJI (Nigeria) thanked the Director-General and his staff for their continued interest and involvement in his country's industrial development efforts during the year. His Government was grateful for the follow-up actions to the recent industrial investment promotion forum in Nigeria, which had resulted in the implementation of a number of projects. UNIDO assistance was also being sought through trust-fund arrangements for the development of the Nigerian cement industry.

48. His country was pleased to note that UNIDO had managed to diversify its sources of funding, with the result that the UNDP percentage of technical cooperation activities had been reduced to 51.7. However, Nigeria had noted with concern the information provided by the Director-General on a possible reduction of UNIDO Country Director posts so soon after the adoption of General Conference resolution GC.4/Res.4 recognizing the need for an increase in such posts to 50. The number should be kept at the present level, and the Organization should give urgent consideration to a financial formula involving UNDP, UNIDO and voluntary contributions.

49. The Organization's financial situation was alarming, with debts by Member States to the Organization amounting to some 73 per cent of the budget for the current year, resulting in a vacancy factor as high as 15 per cent. The Organization had been forced to make very significant reductions in allocations for all major objects of expenditure, necessitating cuts in programme implementation. Nigeria wished to urge all Member States, particularly the major contributors, to try to fulfil their financial obligations without further delay.

50. His country joined others in calling for a dialogue between the Secretariat and Member States on the need to establish priorities among UNIDO's activities, given the dwindling financial resources available. Rationalization of that kind, rather than across-the-board cuts in programmes already approved, was essential if the Organization was to continue to be relevant. The need for UNIDO not to accept new programmes of activity could not be overemphasized. Finally, the Secretariat was to be commended for the measures proposed for strengthening the System of Consultations.

51. Mr. KAMEL (Turkey) said that structural changes in the economies of the countries of Eastern Europe and the emergence of independent States following the dissolution of the former USSR had created possible new beneficiaries of UNIDO's assistance. Coupled with the economic projections for the developed countries, which were not encouraging, that meant there was a serious risk of the developing countries being marginalized. Their access to world markets was becoming even more restricted, and there was also a reverse capital flow from them, so the developing countries were in greater need than ever of international help and assistance, and UNIDO, as the only international body able to help them with their industrialization efforts, faced a great challenge. Yet it was in a serious financial situation itself, and had to function within the limits of a zero real-growth budget; that was why Turkey attached such importance to staff training programmes and welcomed the objectives-oriented project planning system as well as in-depth evaluations to monitor the Organization's performance. The work of restructuring UNIDO had become more pressing in view of the growing challenges, but unfortunately Member States had not so far been able to reach agreement on it.

52. Mr. AHMADI (Islamic Republic of Iran) said he wished to express satisfaction at the increase in technical cooperation projects in 1991 and the overall improvement in their quality. At the operational level, UNIDO's technical assistance delivery in the biennium 1990-1991 had been 60 per cent higher than in 1986-1987, and the value of investment projects promoted in 1990-1991 had been four times as much as in 1986-1987. Unfortunately, there had been a 20 per cent drop in project approvals in the second year of the 1990-1991 biennium, and appendix J of the annual report (IDB.9/10), showing outputs programmed and outputs completed, indicated a comparatively low rate of completion despite record deliveries in terms of both technical cooperation and investment promotion. His delegation would be grateful if the Secretariat could submit a report enabling the downward trend to be analysed at the next session of the Board.

53. With regard to industrial human resource development activities during 1990-1991, a negative trend was also apparent in expenditures on such activities in technical cooperation projects implemented by UNIDO, with a decrease in 1991 of about 25 per cent. Industrial human

resource development had a multiplier effect and was an area that needed further emphasis. In view of the lack of adequate resources for training activities, all Member States should increase their voluntary contributions for the implementation of training programmes. One major item of human resource development planning for coming years should be an increase in training programmes for the training of trainers. Developing countries should increasingly offer to host in-plant group training programmes in their countries. Many developing countries could be host countries for study tours, fellowships and other training programmes. His own country could host two or three such programmes each year.

54. Mr. LONG Yongtu (China) said that the annual report (IDB.9/10 and Corr.1) was frank and factual, and contained many valid proposals. It also listed significant performance indicators, constituting a major improvement on previous annual reports. He hoped that future annual reports would not merely list the activities carried out by UNIDO in the previous year but would analyse successes and failures and describe the major work implemented.

55. Massive poverty had continued to plague many developing countries in the past year. There had been little improvement in the international environment for the industrialization of developing countries. Official development assistance had experienced slow growth, or even stagnation. Conditionality for development assistance had increased and many developing countries were struggling under the heavy burden of external debt. The developing countries thus faced unprecedented difficulties in their industrialization process and needed the services of UNIDO more than ever before.

56. The expansion of national execution of UNDP-funded projects had led to changes for UNIDO. The role of UNIDO as executing agency for IPF projects in the industrial sector had been called into question and the Organization's traditional technical cooperation activities could be expected to decline. During the current transitional period, UNIDO should implement a reform programme and make itself a resilient and efficient agency. An analysis was needed of the Organization's comparative advantages and of how they could be reinforced and exploited.

57. In his delegation's view, UNIDO's comparative advantages lay in two areas: its political and commercial neutrality and the expertise accumulated over its many years of operation, including world-wide access to technology. UNIDO should use those advantages and emphasize policy advice and investment promotion; it should serve as a bridge between the Governments and enterprises of industrialized nations and the developing world. In view of the wide disparities among developing countries in the level of economic development and technological sophistication, and bearing in mind the complementarity that existed in many areas, UNIDO had a role to play in promoting economic development among developing countries. In the specific area of investment promotion, UNIDO was well placed to assist developing countries in training personnel for the management of international economic and technical cooperation, in designing more favourable regulations for foreign investment and in identifying investment opportunities. In addition, UNIDO could act as the world's clearing-house for investment project proposals in industry.

58. The structure of the Secretariat should be geared to the evolving nature of the priorities of UNIDO's work. Cooperation among the Organization's substantive departments should be strengthened. A programme-based approach, starting with the development objectives of a particular industrial sector in a developing country, could be considered.

59. As the Organization changed, the functions of the UNIDO Country Directors (UCDs) should be modified. Apart from monitoring the implementation of IPF-funded projects, UCDs should endeavour to link the host country with the rest of the world, including potential donor countries' missions and transnational corporations, and to assist developing countries in the areas of technology acquisition, market access and the mobilization of resources for industrialization programmes. In China, partnership was actively sought between the UCD and the centre in Beijing concerned with investment promotion, with a view to providing better services for inward and outward investment.

60. Diversification of UNIDO's operations also called for further efforts to streamline administration at Headquarters and to bring about decentralization. More investment promotion services should be set up and more staff assigned to the field.

61. Mr. RIHA (Czechoslovakia) said that the annual report provided a clear picture of UNIDO's activities in a year of rapid changes in the world and within the United Nations system.

62. Those changes, together with the need to increase UNIDO's outputs, had led to discussions by the Member States and the Secretariat during the past year on the restructuring of the Organization. Unfortunately, the discussions had resulted only in agreement that UNIDO needed to be restructured. Divided views on the number of deputy directors-general and on when to introduce the new structure had delayed a decision. His delegation considered the findings of the Special Advisory Group to the Director-General to be a sound basis for further debate on the issue. Attention should be focused on the adoption of clear job descriptions or terms of reference for the Director-General and his deputies.

63. The new UNIDO structure should adequately reflect the importance of the Organization's activities in the area of industrial investment promotion and under the System of Consultations. Restructuring the Organization was hampered by the gap between UNIDO's mandate and the financial resources available to fulfil it. That problem had been exacerbated not only by the changes in the tripartite system, but primarily by the failure of Member States to pay their assessed contributions in full and on time. His delegation supported UNIDO's endeavours to secure additional financial resources through special trust funds and cooperation with the World Bank and regional financial institutions. It also supported the cooperation between UNIDO and UNDP aimed at developing joint guidelines and other operational tools for the implementation of the new support cost regime.

64. It further welcomed the efforts made by the Secretariat in 1991 to improve project quality, relevance, feasibility and cost-effectiveness, as well as the consideration given to environmental aspects. However, experience in connection with a subregional project on improving the environment in the border regions of Hungary, Poland and Czechoslovakia showed that servicing the urgent requirements of Member States was still not at an adequate level of efficiency. Further measures were called for in the area of project development and coordination of in-house units.

65. Regarding the statements in chapter I, paragraph 17, and chapter II, paragraph 14, of the annual report (IDB.9/10) concerning a decrease in group training programmes held in the countries of Eastern and Central Europe, he wished to point out that the programmes offered by Czechoslovakia in 1991 had increased despite the continuing economic reforms. His country's activities for the benefit of developing countries in cooperation with UNIDO would be further developed as the result of an increase in the Czechoslovak contribution to the special-purpose segment of the Industrial Development Fund for 1992.

66. Mr. LEE (Republic of Korea) commended the efforts made by the Director-General and his staff, in the preparation of the annual report, to meet the guidelines in Board decision IDB.7/Dec.11 and General Conference resolution GC.4/Res.2. However, he felt that some parts of the report needed to be supplemented and improved.

67. Today, UNIDO was facing an extraordinary challenge in regard to the adaptation of its policies, roles and functions to the unprecedented changes in the world's political and economic conditions. The growing needs of developing countries for greater access to markets, technology and finance had had profound implications for UNIDO. Against that background, UNIDO was now faced with the need for substantial change in the area of funding and in its structure. Changes had taken place in the tripartite system, and the sources of funding for UNIDO's projects were also changing. Although the bulk of financing still came from UNDP resources, that contribution had decreased between 1990 and 1991. Flexibility was needed in regard to the funding and execution of technical cooperation projects.

68. His delegation noted with satisfaction the quantitative and qualitative improvements in technical cooperation activities during the period under review. Despite the drop in technical assistance delivery between 1990 and 1991, the substantial upward trend on a biennium basis was welcome. Project quality had also increased consistently over the past five years. Human resource development programmes had continued to help the developing countries build up sustainable and coherent systems for upgrading their technological skills. Project efficiency had also been enhanced through improved diagnoses, project planning and project management.

69. His delegation believed that the time had come for a clear order of priorities to be established for the future activities of the Organization, and for emphasis to be placed on organizational restructuring and the streamlining of operations in the Secretariat. There should be unified United Nations country offices, on the understanding that UNDP would continue to function as a funding and coordinating agency and the executing function would remain with the specialized agencies. His delegation shared the view that a crucial element in the future development of UNIDO was the need to strengthen cooperation with the private sector.

70. Turning to the Special Programme for the Industrial Development of Asia and the Pacific, he said that, for maximum efficiency to be attained, the specific needs and cultural background of each country needed to be taken into consideration in the Programme's implementation. Efforts should be made to provide concentrated assistance in labour-intensive industries where a plentiful labour force was available.

71. His delegation was concerned at the worsening financial situation of UNIDO, and particularly the cash-flow problem, which arose mainly from delays in Member State's payment of contributions to the regular budget. It appealed to Member States in arrears to pay their contributions in full as soon as possible.

72. Ms. KIMBLE (United States of America) said that the winds of change continued to sweep the world. UNIDO, like the United Nations system, was facing unprecedented new demands in an era of shrinking resources. There was likely to be an increase in Member States which would require the assistance of UNIDO, without being able to contribute to its resource base. At the same time, the reduction in the operational budget caused by changes in UNDP's support cost arrangements would further strain resources which were already stretched to breaking point.

73. It was vitally important, therefore, to prioritize UNIDO's activities. A major restructuring was needed. At the previous General Conference session, Member States had been unable to agree on the introduction of a new structure, or on the number of deputy directors-general that the Organization would need to discharge its responsibilities in the present uncertain climate. The necessary decisions must now be made, and organizational flexibility must be emphasized. The reorganization effort should follow a dual-track approach, reflecting a careful reprioritization of UNIDO's activities. The Roethlisberger decision calling for five Departments within the Organization, each headed by a Deputy Director-General, was unnecessarily rigid and should be abandoned. Once the constraining effect of the Roethlisberger decision had been removed, a group of experts should be appointed to make recommendations on the Organization's future structure and role.

74. Like other agencies in the United Nations system, UNIDO had to collaborate with others. It should work with the regional development banks and the World Bank in identifying projects where its expertise would be appropriately deployed and where it could offer comparative advantages. Effective privatization was an essential ingredient of successful development and, in view of UNIDO's valuable experience in that field, it should become the focal point for all privatization activities in the United Nations system. Thought should be given to reinforcing its unique role, and to stepping up cooperation with other United Nations agencies in order to eliminate duplication and enhance delivery of technical assistance. UNIDO's specific country experience could also support the interchange among developing countries themselves.

75. The efforts to reform, restructure and reintegrate UNIDO's activities were complementary to other reforms now under way within the United Nations Secretariat. The task in hand required active consultation and planning to put into effect key reforms to streamline UNIDO's operations. Given the determination to put principles before personalities, rapid progress could be made.

76. Mr. CHON IN CHAN (Observer for the Democratic People's Republic of Korea) welcomed the progress UNIDO had made in its industrial development and technical cooperation activities, despite the unstable political and economic climate over the past few years. The figures for technical cooperation and investment projects in the 1991 annual report showed a marked growth. The trust fund mechanism provided crucial financial resources for the Organization in servicing industry in the developing countries. The special trust fund activities had been in full swing during the biennium 1990-1991, following recognition of their value by the Board, the General Conference and the United Nations General Assembly. He noted that the total value of projects under implementation in 1991 under trust fund schemes represented 31.1 per cent of total UNIDO project approvals.

77. In his own country, UNIDO had played a pioneering role in setting up arrangements of mutual benefit to local industries and their foreign partners. Emphasis was being placed on the rehabilitation and modernization of industry in line with international standards, and on promoting self-sufficiency and national economic development through the introduction of advanced technology. Technical cooperation and assistance from international organizations such as UNIDO was highly appreciated. Thanks to UNIDO's efforts, work had now started on a hot-rolling steel mill project, and another project on the rehabilitation and expansion of a battery manufacturing plant would shortly be completed. The present situation in the Korean peninsula was favourable to industrial cooperation with foreign partners, and prospects for further cooperation were bright. During 1991 a free trade zone had been established in the Senbong-Razin area in the north of the country, and was already attracting support from international organizations, including UNIDO. The Director-General of UNIDO had led a high-level delegation to his country to discuss investment opportunities in the free trade zone, and a range of other important projects. He was also grateful for the Director-General's assistance in arranging visits by industrialists and businessmen from developed countries.

78. Constraints on UNIDO's operational budget in recent years, as well as on UNDP's country programmes, had compelled the Organization to devise new methods of promoting industry. His delegation hoped for further enterprise-to-enterprise cooperation through trust fund schemes. The number of investment projects funded by such schemes should be increased, and the operational department responsible for them should be strengthened.

79. Mr. SZABO (Hungary) said that UNIDO had continued to fulfil its role in 1991, a year of unforeseen changes. The transition of the countries of Central and Eastern Europe to market-based economics would be a long and complex process and presented them with serious economic, environmental and social problems. Despite those problems facing Hungary, it attached importance to developing further its relationship with the Organization, as evidenced by the increase of 31 per cent in the amount of its pledge to the Industrial Development Fund by comparison with the previous year. All his Government's relations with UNIDO were now the responsibility of the Ministry of Industry and Trade.

80. In its technical assistance to developing countries, Hungary had advanced from the eighth to the second place in the list of countries ranked by number of appointments of experts. His Government continued to lay great emphasis on training experts from developing countries in Hungary and on seeking new opportunities for technical cooperation in the support of those countries' industries. His own country greatly valued the temporary assistance it was receiving from OECD countries, including the United Kingdom, as a means of ensuring its peaceful transition to a market economy. Hungary's trade with developing countries had expanded rapidly in 1991, with exports rising by 14 per cent and imports by 6 per cent in comparison with 1990.

81. Mr. AMMAR (Tunisia) said he wished to concentrate on the provision of technical assistance to the Palestinian people. Finding a just, comprehensive and lasting settlement of the Palestinian question would be a lengthy and arduous process. International organizations, including UNIDO, were therefore called upon to support the Palestinian cause and provide technical assistance to the Palestinian people. His delegation approved of the formation of the team to monitor the development of the Palestinian industrial sector. As noted in the Director-General's progress report, the principal obstacles were now financial; the Israeli authorities had previously refused staff members entry into the occupied territories. He renewed his appeal for technical assistance to the Palestinian people, in accordance with the resolution adopted by the General Conference at its fourth session (GC.4/Res.7), and for the establishment of an economic unit to promote the industrial development of Palestine, in line with the recommendation of the Industrial Development Board (see decision IDB.7/Dec.17).

82. Mr. LAMAMRA (Observer for Algeria) said that the Director-General had painted a vivid picture of UNIDO's endeavours and of the difficulties it faced, as well as of the prospects for change. His own country was now engaged in a thoroughgoing restructuring of its economy, striving for greater economic efficiency by abandoning centralized management. The national authorities were seeking to ensure an effective transition to a modern economy. The Government was speeding up the modernization of enterprises through industrial restructuring, and was aiming to develop small- and medium-scale enterprises which would generate employment. There was ample scope for UNIDO to play a role in the industrial restructuring process through its cooperation programme. The emphasis should be placed on regenerating the industrial plant, improving the rate of utilization of productive capacity, and building upon the existing industrial network by developing small and medium-sized industries. Productive investment could be stepped up by mobilizing public and private domestic capital, and by attracting foreign capital under the favourable terms offered by the country's new

laws. UNIDO could make a significant contribution by identifying and selecting projects to be supported by its investment promotion services. It was encouraging to note that despite its financial difficulties, the Organization had maintained a satisfactory level of technical cooperation.

83. While appreciating the efforts of the Secretariat, to increase the number of projects implemented and improve their quality, his delegation noted with concern the drop in project approvals and the reduction in projects under implementation, due to the shortage of financial resources. The Organization's programmes could be seriously jeopardized by factors outside its control, notably the late payment or non-payment of contributions. UNIDO was being systematically deprived of the budgeted resources against which its activities were planned. His Government had decided, in spite of its own economic difficulties, to pay the whole of its own contribution for 1992, as testimony of its firm support for the Organization. He hoped that other States in less straitened circumstances would follow that example. He suggested that the Secretariat should seriously consider the possibility of negotiating with Member States which had major arrears of contributions, with a view to drawing up a timetable for payments. Firm undertakings by such States to make payments by instalments would enable the Secretariat to gain a clear picture of the resources on which it could rely during the financial year. For its part, the Organization must rationalize its management, streamline its priorities, ensure that funds were judiciously spent and avoid waste of both human and financial resources. Its key objective was to promote industrialization in the countries of the South. Since it lacked adequate resources to meet the needs of the developing countries, it must ensure, in the light of resolution GC.4/Res.20, paragraph 2, that the increased requests for technical cooperation did not lead to a reduction in resources for the industrialization of the developing countries. That was particularly necessary now that the Organization's basic resources were being further depleted owing to UNDP's recent decisions on support costs, at a time when the additional development funds which had been hoped for as a result of international political change were still failing to materialize. In those circumstances, the Secretariat should refrain from taking on new activities which would merely increase the pressure on the Organization's slender resources. It should concentrate on current activities, especially those related to technical cooperation; its attitude towards the new programmes and activities proposed in agenda items 4 and 16 should be cautious and realistic.

84. The Organization had adopted an approach by programme and by region, an approach which would certainly help to improve the standard of projects and produce a better match between the expertise available and the essential industrialization requirements of the developing countries. That approach had been successfully tested in the special regional programmes, as shown by the results of the inter-agency meeting on the Special Programme for Industrial Development in the Arab Countries. His country was expecting a further boost to activities in the region, and renewed cooperation between UNIDO and the Arab countries. The technical assistance activities to the Palestinian people should be renewed and strengthened.

85. He welcomed the priority placed on technical cooperation projects among developing countries. Another welcome development was UNIDO's involvement in the process of integration among the AMU countries, especially the follow-up activities to the meeting held in October 1990 in Tunis, and the establishment of a framework-cooperation project.

86. Investment promotion activities in the Arab region lagged behind the region's potential, despite the overall increase in the value of promised investment projects in 1991. The African region was entitled to a substantial share in UNIDO's activities and programmes, and a high level of priority. The prospect of further regional cooperation and integration, as a result of the formation of the African Economic Community, offered new possibilities for intervention by UNIDO, in addition to the industrialization projects identified for the second Industrial Development Decade.

87. Mr. HART (Observer for Australia) congratulated the Director-General and the Secretariat on a comprehensive and detailed overview of activities undertaken in 1991. Australia was anxious to cooperate closely with the Organization, and especially in activities focused on the Asian and Pacific region. Referring to the second addendum to the report (IDB.9/10/Add.2), he welcomed the collaboration with ESCAP and FAO, and the proposals submitted to UNDP for consideration under the fifth cycle intercountry programme. The sectoral programme of pollution control of the tanning industry in the region had been the subject of an excellent presentation in March 1992. His country would study all proposals for mutually beneficial cooperation in the Asian and Pacific Region.

88. With regard to the Director-General's remarks on the need for the Organization to adapt to the changing world situation, he noted with interest the emphasis placed on growth in the private sector. The ultimate test of the Organization's achievements would be in the market-place, and its programmes must assist Member States to respond to market-place opportunities, especially internationally.

The meeting rose at 6.15 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Ninth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 19 May 1992, at 10 a.m.

President: Mr. CSERVENY (Hungary)
later: Mr. CLARK (United Kingdom)

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The meeting was called to order at 10.10 a.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1991 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.9/10 and Corr.1 and Add.1 and 2; IDB.9/CRP.3)

1. Ms. ANGELL-HANSEN (Norway) said that the fall in UNDP funding for technical cooperation from 74 per cent in 1986 to 51.7 per cent in 1991 illustrated a situation in which UNIDO would increasingly have to compete for scarce financial resources. That challenge could be met only by establishing a firm order of priority among the many demands on the Organization and by putting its resources to more efficient use. Efforts to improve the appraisal and evaluation of projects were thus most welcome. There was also an urgent need to reach an agreement on an early restructuring of the Organization.

2. Norway fully supported the increased cooperation between UNIDO and the international financial institutions outlined in the annual report in relation to those institutions. UNIDO could play an important complementary role, particularly at the micro level. Furthermore, in view of the difficult financial situation and the change in the mode of funding by UNDP, cooperation with the international financial institutions could constitute an important source of financing for UNIDO.

3. Norway continued to advocate further efforts to integrate environmental concerns into UNIDO's activities at all levels and had allocated special resources for that purpose. The outcome of the United Nations Conference on Environment and Development would be of importance to the work of all United Nations organs, including UNIDO. Careful consideration should thus be given to reaching agreement on Agenda 21, with a view to identifying possible adjustments to UNIDO's activities, since it was important that the Organization should demonstrate its readiness to help secure ecologically sustainable industrial development.

4. The number of least developed countries was continually rising and had now reached 47, most of them in Africa and Asia. In order to help reverse that trend, UNIDO should place greater emphasis on assistance to those countries and on the follow-up to the United Nations Second Industrial Development Decade for Africa. Measures undertaken by UNIDO in support of the legitimate needs of the transitional economies of Central and Eastern Europe should be

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supplemental to those undertaken in the developing countries.

5. In concluding, her delegation noted with concern that the implementation figures in the area of human resources development had fallen considerably, from $23.2 million in 1990 to $17.6 million in 1991 - a trend that was all the more regrettable as it also adversely affected activities intended to benefit women. As an expression of its interest in the role of women in industrial development, Norway had given considerable support to the financing of the plan of action for the integration of women in industrial development.

6. Mr. PARVESCU (Romania) noted with interest UNIDO's projects designed to address the problems of the Eastern European countries making the transition from a centralized to a free-market economy. Events such as the meetings and workshops on methodologies for industrial restructuring, technology transfer and contracting, privatization of small and medium enterprises, the Investment Forum for Czechoslovakia and UNIDO-TECHMART'91 could make a significant contribution to transforming those countries' economies by stimulating foreign investment, opening up access to high technology and encouraging joint ventures and other forms of cooperation.

7. The year 1991 had seen the publication of some major studies and reports by UNIDO, including in particular the new edition of the Manual for the Preparation of Industrial Feasibility Studies, which would be a standard work of reference. His delegation regretted, however, that in the otherwise commendable Industry and Development, Global report 1991/92, the economic and structural reforms taking place in Romania had received almost no coverage. The legislative framework for those reforms was now generally complete, with new laws enacted to regulate areas such as the organization of trading companies and autonomous State-owned units, the establishment of joint ventures with foreign investors and privatization of State enterprises. Liberal conditions were applied to foreign capital: up to 100 per cent ownership, the possibility of repatriating local profits in hard currencies, permission to participate in bids for the privatization of State-owned enterprises, tax holidays and customs exemptions. Thirty per cent of the shares of trading companies were being distributed free of charge to Romanian citizens, in order to compensate them for their past efforts in building up existing assets, while the remaining 70 per cent were being sold to interested Romanian and foreign investors, in order to provide the financial resources necessary for the restructuring of industry. Romanian experts had recently prepared a three-stage restructuring strategy, which was designed, first, to halt the decline in production in 1992; secondly, to reach 1989 global production levels by 1995, giving priority to consumer-goods industries; and thirdly, to achieve industrial growth rates of between 2 and 4 per cent, with a high level of integration into European industry, by the year 2000.

8. The current year marked the twentieth anniversary of the establishment of the Joint UNIDO-Romania Centre. Projects implemented in 1991 as part of the Centre's activities had included group training in the reconditioning of spare parts and seminars on environment protection. New projects in the Centre's work programme for 1992 included a workshop on industrial investment project appraisal and valuation of public enterprises, a seminar on the petrochemical industry and a new version of the group training in spare parts reconditioning. His delegation was confident that at the seventeenth session of the Joint UNIDO-Romania Committee new ways would be found of strengthening cooperation through the Centre and that UNIDO would manage to increase its involvement in Romania's difficult process of transition to a market economy. One way of helping that process would be to arrange missions by foreign consultants to work with Romanian specialists at the Centre's Bucharest office, in order to identify industrial investment projects for subsequent promotion through the UNIDO network. An example of such activities was a regional project begun in 1991 and funded by the French Government for the purpose of identifying industrial opportunities in Eastern European countries, including Romania.

9. Despite its economic difficulties, Romania had done its utmost to meet its financial obligations under the UNIDO regular budget and had doubled its voluntary contribution to the Industrial Development Fund in 1992.

10. Mr. KOSTENKO (Observer for Ukraine) noted that in 1991, in spite of financial constraints, UNIDO had endeavoured to forge ahead in all the priority areas of its activity. It was clear from the record that despite a slight decrease in 1991, the total volume of technical assistance over the biennium had actually gone up and that there had been an increase in the number of projects successfully implemented, as well as a constant improvement in their quality. He singled out UNIDO's activity in the metallurgical sector, a sector very highly developed in Ukraine, but one facing major difficulties, which his country was unable to overcome unaided. He was particularly pleased to note the programme being developed on the initiative of the Metallurgical Industries Section of the Secretariat, which would help to make Ukrainian metallurgical enterprises more efficient and competitive.

11. Despite the problems facing it, his Government was doing its best to contribute to the Organization's programmes and projects. One example was the very successful training seminar and workshop for welding specialists regularly conducted until recently by the Electrical Welding Institute of the Ukrainian Academy of Sciences. With the disintegration of the former Soviet Union, the future of that seminar had been called into question. However, in spite of its financial difficulties, the Government of Ukraine had decided to keep it in being, on the basis of a bilateral agreement with UNIDO. A sum of 1,338,000 roubles had been earmarked under the 1992 budget for the accommodation and training of up to 45 participants annually from the developing countries.

12. UNIDO's activities in the field of the environment were worthy of special praise. As one of the countries that had borne the brunt of the Chernobyl accident, Ukraine was ready to assist in the implementation of programmes and individual

projects in that field. A UNIDO project for an international seminar on management and planning of industrial development with due regard to the environmental aspects, financed from voluntary contributions by the Ukrainian Government to the Industrial Development Fund, was currently approaching completion. The major executant of the project was the Cybernetics Institute of the Ukrainian Academy of Sciences. The results of the project should make a significant contribution to solving the problem of environmentally sound industrial development.

13. Turning to chapter VII of the annual report, and to the question of recruitment and staffing, his delegation noted that efforts continued to ensure that special consideration was given to candidates from unrepresented and under-represented developing countries. Unfortunately, in the majority of cases, that led to little tangible improvement in the situation, and the recruiting process continued to be selective and even discriminatory. His delegation would welcome detailed information on the exact geographical distribution of staff recruited in 1991. With the imminent retirement of two Ukrainian staff members, there was a real risk that as from 1 January 1993 Ukraine would no longer be represented in the Secretariat. In that respect, UNIDO's activity must be deemed less than satisfactory.

14. Mr. SALLOUKH (Observer for Lebanon) said that UNIDO assistance to the Arab countries remained scanty and should be increased. Developing and least developed countries in the Arab world were in urgent need of such aid, which could only come from the rich industrial countries. Lebanon itself badly needed assistance to build up its industry again from scratch and regain the position it had held before the tragic and destructive events which had befallen it. He was pleased to note that two UNIDO delegations had visited Lebanon and held useful discussions with the Lebanese authorities regarding development needs there. He hoped the end of the cold war and the trend towards disarmament would enable sizeable funds to be diverted to assistance to needy countries. He concurred with the observer for Palestine regarding the suffering of the Palestinian people under the occupation, which had prevented them from realizing their industrial and agricultural potential. He would accordingly urge the Director-General to establish an economic unit for the Palestinians in the occupied territories.

15. Mr. AL-BAHAR (Kuwait) shared the Director-General's concern over UNIDO's shortage of financial resources. Despite the calamity which had overtaken his country, it had fulfilled its financial obligations to UNIDO in full and was keen to cooperate with the Organization in order to provide assistance to the developing countries. UNIDO experts were due to visit Kuwait shortly to advise the owners of industrial enterprises on development and modernization following the destruction which had occurred in 1990. He hoped that permanent channels of communication would thus be established. He supported the efforts to increase the effectiveness of UNIDO through restructuring, for instance by reducing the number of deputy directors-general to three. Finally, his delegation was concerned that the programme of technical assistance to the Palestinian people had produced nothing new, and he hoped that the programme would be revitalized in view of the continuing peace efforts. He also hoped that the Director-General would attach particular importance to the reconstruction of Lebanon.

16. Mr. EL-HUSSEIN (Sudan) said he was concerned over the decrease in the volume of activities and programmes in 1991, which was attributed to the general world climate, a drop in UNDP funding and the failure of certain major contributors to fulfil their obligations. Despite its limited means, Sudan had just recently paid its arrears and its 1992 contribution, and it appealed to other countries to do likewise.

17. He commended UNIDO for carrying out, despite its financial difficulties, projects aimed at strengthening industrial potential and self-reliance in the African region. His country had received particular assistance for the private sector, training in the sugar industry and the development of small and medium-sized industries. The countries of the continent hoped that UNIDO would increase its technical assistance to them and develop its cooperation with the Organization of African Unity and the Economic Commission for Africa. The majority of least developed countries were situated in Africa, and he hoped that such countries would be given priority in UNIDO's programmes.

18. He noted with concern the lower proportion of approved projects and the lower execution rate for 1991 compared with 1990, despite the fact that project funding under self-financed and trust fund schemes had increased from $25.7 million in 1990 to $31.2 million in 1991. It was regrettable that the Industrial Development Fund was still far below the desirable level of $50 million. However, as noted in the report, openings had been identified for cooperation with African, Asian and American development financing institutions.

19. The rapid progress of industrial technology made it necessary to intensify training programmes to develop human resources. He was gravely concerned that the report had noted a big drop in expenditure on training compared with 1990 and he urged UNIDO to increase spending in that vital area. Regarding the Second Industrial Development Decade for Africa (IDDA), he commended the level of project execution and hoped for continued cooperation with ECA in preparing IDDA projects within the framework of the Dakar Declaration on Industrialization and Economic Integration in Africa for the 1990s, in particular with respect to agriculture-related industries, since many African countries had suffered in recent years from drought and desertification. His country had benefited notably from technical assistance with food processing. Regarding least developed countries, he hoped that practical steps would be taken to implement the recommendations of the Paris Declaration and the 1991 Vienna workshop. He referred in that connection to General Assembly resolution 45/206 on implementation of the programme of action for the least developed countries for the 1990s.

20. Turning finally to the private sector, he noted that UNIDO was making commendable efforts to develop investment policies and institutions in the developing countries. Sudan had received assistance in developing the private sector and

drawing up investment programmes. In February, Sudan had adopted a new economic policy aimed at revitalizing the economy and securing an active role for the private sector.

21. In conclusion, he joined other delegates in calling upon UNIDO to make more positive efforts to provide assistance to the Palestinian people as well as to contribute to the reconstruction of Lebanon.

22. Mr. ROSALES (Cuba) said that despite UNIDO's continuing financial difficulties and the changes in the world over the last few years, satisfactory results had been achieved in some sectors, which should encourage the Organization to seek ways of improving its work still further. Its activities would be of more direct benefit to the developing countries if it recognized that there were various models of development and that the choice between them was a matter for the sovereign decision of Member States. UNIDO's main programmes should be reoriented in order to give priority to activities that derived from the recipient countries' basic objectives in pursuing sustained development. In particular, the Organization should maintain a balanced position on the different approaches to development currently being followed by the developing countries, so that each country could freely choose, without preconditions of any kind, the option it regarded as most appropriate. Over-emphasizing any of those variants to the detriment of the rest could violate the Organization's principle of universality.

23. In connection with technical cooperation activities, the annual report drew attention to the increased diversification of sources of financing as a result of the decline in UNDP funding. The implications of that development for the Organization should be thoroughly analysed, with a view to maintaining an adequate programme of technical cooperation, with increased emphasis on transfer of technology. Further refinement of the machinery for the exchange of experience among Member States was particularly important for UNIDO's work, especially the strengthening of working relationships with regional organizations such as the Latin American Economic System and the Latin American Energy Organization.

24. Mr. VETCHEVKO (Belarus) said that UNIDO's work over the past year had contributed to the industrialization of the developing countries and facilitated their closer cooperation with the developed countries and with each other. Together with an increase in the number of projects and the volume of assistance, there had also been an improvement in the quality of the services provided. There had been a greater number of projects concerned with the transfer of technology or development of advanced technology and preparation of the corresponding infrastructure. Technical assistance had been given in extending the network of small and medium-sized enterprises as a step towards creating an effective market economy and getting away from monopolistic production. UNIDO had been active in facilitating investment in the developing countries, and projects were being implemented for the introduction of modern technological and economic information systems. The Organization had been increasingly involved in various types of inter-agency coordination for environmental protection, in particular in the work of the Special Task force for Chernobyl and the preparations for the United Nations Conference on Environment and Development.

25. The unprecedented ecological damage suffered by Belarus as a result of the disaster at Chernobyl made it especially interested in environmental activities. It needed UNIDO's assistance in working out practical measures for eliminating the consequences of that disaster. In Belarus, the process of transition towards a market economy and democratic restructuring was taking place against the backdrop of a major economic crisis. Since the start of the year, the volume of industrial production had dropped by 10 per cent and the standard of living of the population had declined proportionately. The country's entire resources had been mobilized to deal with the consequences of the catastrophe, and the reserves needed for the restructuring of industry and the introduction of new technologies had been exhausted. It was clear that, without the help of the international community, it would be extremely difficult to solve the problems of economic and democratic renewal. Now that it had recipient status with UNDP, Belarus counted on assistance from the specialized agencies in overcoming its economic crisis as expeditiously as possible. It understood that UNDP's financial assistance would cover only a small part of the expenses it would have to meet in financing specialized agency activities in Belarus.

26. Given its special expertise, UNIDO could make a significant contribution in a number of sectors, including the drawing up of a master plan for industrial development. It could help in preparing programmes for modernizing the basic industrial sectors with due regard for problems of environmental protection and energy saving. It could also draw up programmes to develop the private sector and expand the network of small and medium-sized enterprises, as well as facilitate foreign investment in industry and agro-industry. It could assist in the development and creation of information systems and economic and industrial data banks. Belarus needed help in developing technologies which would allow it to exploit land currently polluted by radioactivity. It was also interested in receiving UNIDO's assistance with the production of dosimetric and deactivation equipment and fire-fighting facilities. It hoped to receive a United Nations programme mission in the near future and that proposals for relevant projects would be developed in the course of the mission's work.

27. Mr. BAKSHI (Pakistan) said that although progress had been made throughout the 1980s in restructuring world industry in favour of the developing countries, only a few had been able to improve their economic growth and the majority had experienced a declining trend. Such modest development as had taken place had been partly due to the assistance provided by UNIDO through its technical cooperation programmes. Efforts needed to be redoubled in order to give renewed impetus to the process of development. The developing countries should cooperate more among themselves. If they did not do so, their progress would remain far less than was required, and the achievement of the target of 25 per cent of world industrial output by the year 2000 would remain a dream.

28. Both collective and individual efforts were required from Member States. The Government of Pakistan, for its part, had recently taken measures to transform the country's economic framework from a regulated system into a completely free one. Bold reforms had been introduced in all the vital branches of economic activity. Government licences and permits had been abolished to make way for the free play of market forces, and the private sector had been entrusted with a key role in present and future economic development. Restrictions had been lifted on fresh local and foreign investment, and a completely free foreign-exchange system had been put in place. The Government was making rapid progress in disposing of public sector units, and the private sector was actively associated in expanding the social, physical and economic infrastructure. It would, however, take some time for the new forces which had been released to have a sizeable impact on such negative features as the huge budget deficit and excessive foreign debt. Pakistan was not, of course, alone in its struggle, and other developing countries in South-East Asia faced similar problems.

29. The Government of Pakistan was cooperating fully with UNIDO and participating in its efforts to increase the pace of industrialization in developing countries. Strong economic ties had been established with similarly-placed countries in the region. A large number of joint investment projects had been undertaken with the cooperation of other developing countries, and, in the field of trade, progressively higher targets were being achieved. Pakistan had also participated in most of the solidarity meetings and other high-level gatherings at the ministerial or official level and had put forward a number of proposals to support the industrial development of the least developed countries.

30. All delegations recognized that the task of achieving satisfactory levels of industrialization in the developing world was not an easy one. It required massive amounts of investment, technology transfer and human endeavour. UNIDO could not perform the task on its own. It could, however, play a catalytic role through its overview of development strategies, its sponsorship of projects which could later trigger larger-scale productive activities, its activities in research and technical cooperation, and its help in encouraging the process of industrialization by providing critical skills or factors which individual countries lacked. In addition, its System of Consultations, of solidarity meetings for the industrial development of the least developed countries, its high-level meetings to develop cooperation in specific industrial sub-sectors, its technical workshops, seminars, study tours and training programmes, all made it an important partner for the developing countries.

31. Mr. AL-MONAJED (Syrian Arab Republic) noted the difficulties experienced by UNIDO in carrying out its programme owing to the shortage of funds. He feared that adopting a policy of prioritization in order to deal with the crisis might deprive the least developed countries of vital projects and further widen the North-South gap. Instead, efforts should be redoubled to augment UNIDO's resources and to make use of local expertise. The shift of many countries from planned to market economies had altered assistance requirements and affected the UNIDO's role in those countries. Private sector investment in general had greatly increased. In the Syrian Arab Republic, since May 1991, over 320 private industrial and service projects had been authorized, involving investment of over $1.2 billion, while public sector investment had amounted to $800 million. He appreciated UNIDO cooperation in those new projects.

32. He welcomed the first step taken to provide assistance to the Palestinian people, who deserved greater attention from the international community. He urged the Director-General to establish an economic unit for the Palestinian people.

33. Mr. Clark (United Kingdom) took the Chair.

34. Mr. NDJOKO (Zaire) referred to the chain of events which had led from the profound changes in the international scene during the past two years, through the evolution towards greater democracy in many countries and the creation of new Member States, to a situation in which some of those States were benefiting from UNIDO's services without increasing its resources. That situation could not fail to lay a heavy additional burden on the Organization, and the Director-General had drawn attention to the further strain on resources caused by the non-payment of contributions by a considerable number of Member States. The arrears in payments in fact amounted to approximately three quarters of the annual regular budget. UNIDO could not operate effectively in those circumstances, and he wished to appeal to all Member States that had not paid their contributions to do so as soon as possible.

35. The strategies and operations outlined in chapter II of the annual report appeared to be very satisfactory, but it should be borne in mind that UNIDO's strategy must be kept in line with the needs of the developing countries. It was the African continent that needed UNIDO most, since it was the least advanced on the path of industrialization. A Conference of African Ministers of Industry had recently called for a re-examination of the study on the creation of a regional UNIDO office for Africa, not only from the financial point of view, but above all from that of the operational and functional advantages that such an office would offer for the implementation of the Second Industrial Development Decade programme, especially as regards the promotion of private investment.

36. Africa attached great importance to the Industrial Development Decade and welcomed the priority which the Director-General continued to give it, in spite of the difficulties surrounding it. The programme for the Decade included 15 national and four subregional programmes and called for corresponding resources and technical assistance. Stress should now be laid on the mobilization of financial resources, investment promotion activities, the development of small and medium-sized enterprises and local entrepreneurship, with particular attention to the problems of women entrepreneurs.

37. Zaire wished to see UNIDO become a credible partner and a source of expertise on all questions relating to industry in Africa (human resources, relations between industry and the environment, services connected with industry), providing

support for the preparation of industrial policies and playing the role of lead agency on questions concerning industrial development throughout the United Nations system.

38. Mr. AL-KITAL (Iraq) said that in view of the economic havoc wreaked by the Israeli authorities in the occupied territories, UNIDO had a duty to provide assistance to the Palestinian people in building up their national industry and infrastructure. His delegation was unhappy that so little had been accomplished over the past two years. A special unit should be established in the Secretariat to provide assistance to the Palestinian people in cooperation with the Palestine Liberation Organization.

39. Regarding the financial situation, Iraq, which had always paid its dues promptly in the past, was no longer in a position to do so, owing to the unjustified and illegal continuation of the embargo imposed in particular by the United States and the United Kingdom in pursuance of their illegitimate political objectives.

40. UNIDO had an important role to play regarding the environment, but it should not let such activities encroach upon the primary tasks entrusted to it by its Constitution. It should not seek to replace or compete with other organizations concerned with energy and the environment, whether within or outside the United Nations system. Furthermore, protection of the environment should not be invoked as a reason to impose specific technologies as environmentally sound; choice of technology should remain a basic right of each State.

41. Mr. PAREDES (Peru), referring to the question of trust funds, welcomed the steady increase over the years in the amounts involved, which had now reached a figure of $40.6 million for projects approved and under implementation in 1991. Those positive results showed the way in which the Organization should proceed to meet industrialization needs, especially in the third world. Restructuring adjustments should help the UNIDO Funds Mobilization Division to operate successfully. His Government was most grateful for the trust fund set up for industrial restructuring and privatization in Peru with the financial assistance of the Government of Japan.

42. Although the subject was not on the agenda at present, the restructuring of UNIDO was of great importance, and it would be useful to set up a working group to consider the matter in depth, bearing in mind the lessons learned during previous years. It would have to deal with such matters as financing, mandates and budget allocations for projects. A new, flexible and efficient structure should be created which would enable UNIDO to face current needs in the light of the recent international changes and make progress towards its main objective of promoting the industrialization of the third world countries.

43. Mr. AL-ERYANI (Observer for Yemen) expressed his concern over the fall in the level of activities in 1991 as a result of the shortage of financial resources and the inability of many Member States to pay their contributions. However, if the countries in a strong financial position shared the necessary understanding, it ought to be possible to stop the gap between the developed and the developing countries from widening further. As one of the least developed countries, Yemen attached great importance to the development of human resources and hoped that UNIDO would devote particular efforts to such activities in the coming period. UNIDO could also help Yemen to overcome the problems arising from the merging of different economic, social and cultural models following unification in May 1990, and should take that matter into consideration in its plans and programmes for the Arab region. He joined other delegations in requesting the establishment of a unit in the occupied Palestinian territories to provide sorely needed assistance to the Palestinian people.

44. Mr. SIAZON (Director-General), replying to comments made in the debate, recognized that there was some room for improvement in the form and content of the annual report. It had been suggested that it should outline future aims and strategies, but he feared that, with the unpredictability of the cash flow, that might do no more than raise hopes which would only be dashed later. UNIDO's funds had been steadily decreasing, and it was frequently obliged to hold back when it would wish to reach out towards new targets.

45. A considerable amount of concern had been expressed about the slow-down in the delivery of technical assistance and in the approval of UNDP projects. It could indeed be seen from page 14 of the annual report that there had been a drop in project approvals and in the residual stock of projects between 1990 and 1991. There were many reasons to explain the drop. The decrease in UNDP funds for UNIDO projects was partly due to the fact that 1991 had marked the end of a cycle and partly to the fact that the approval of country programmes in the new cycle had been delayed, possibly through the introduction of new approval procedures. In the circumstances, it was probably fortunate that UNIDO had made efforts to develop closer relations with other financing bodies, such as the World Bank, and it was hoped that those efforts would yield positive results, allowing UNIDO to offset the drop in UNDP approvals during the next 12 months. Discussions were proceeding as to what UNIDO's share of the IPFs should be, and he himself intended to clarify the position with the UNDP Administrator. Negotiations between UNDP, UNIDO and recipient countries had also held up the process of project approval.

46. He welcomed the fact that many delegations had spoken of the need to identify priorities and believed that the suggestion by the representative of Austria that delegations should continue to exchange views would be of assistance, particularly if the Board could agree on priority programmes for the period 1994-1995.

47. There seemed to be general agreement on the need for restructuring. The Secretariat, for its part, believed that there was a need to look at UNIDO's working procedures to ensure that they were as efficient as possible. But in the final analysis the matter was in the hands of the Board.

48. He believed it necessary to consider the issue of UCDs separately. In view of the new arrangements with UNDP, there seemed to be a need for further study of the matter. Given UNIDO's financial position, however, he did not believe it

possible to meet the hopes of many developing countries for an increase in the number of UCDs from 39 to 50.

49. He was glad to say that UNIDO was now following more differentiated and flexible practices with regard to the employment of experts. It was recruiting them from countries whose nationals were prepared to accept salaries lower than those of Western European experts. The developing countries were changing with the rest of the world and, although some of them requested assistance for high-technology projects, others still required assistance for more modest projects as well.

50. In response to the comment made by the representative of the European Community to the effect that the Programme Development Support Unit might be too academic, he pointed out that the methodology it used was a tool intended for the cost-effective development of programmes covering a large number of countries in one or more regions, and that it would be used only for the preparation of integrated programmes which were likely to attract public and private interest and for which technical cooperation financing was virtually assured.

51. Reference had been made to the types of indicators used in the annual report, and he agreed with the representative of Mexico that it might be useful in future to use something other than the dollar delivery as UNIDO's main indicator for technical assistance projects. That would probably be necessary as a result of the changes involved in UNDP successor arrangements. The annual report, however, did include other indicators, such as the number of programmes identified or the number of seminars organized and held. The question required further consideration and discussion, so that the annual report might be adapted to meet the expectations of Member States more closely the following year.

52. Referring to expenditure under the regular and operational budgets in 1991, as shown in the table on page 134 of the annual report, he agreed with the representative of Mexico that staff costs of some $87 million represented a high proportion of the total expenditure of some $106.8 million. However, it was important to consider UNIDO's role as compared with that of other organizations. UNIDO was meant to be an agency for the delivery of technical assistance. Since 1986-1987, the bulk of its regular budget had been devoted to staff costs, and very little to programmes, no more than 6 per cent for technical assistance and $8.6 million for the Industrial Development Decade for Africa (IDDA), some of which had subsequently been included in the technical assistance component. At the same time, the use of outside consultants had been reduced. Many of the studies formerly entrusted to consultants were now being carried out by staff members themselves. Moreover, UNIDO's operational budget, as laid down in the Constitution, differed from that of other organizations. The expenditure shown in the table on page 134 related only to support costs. A comparison with other organizations showed that in WHO, for example, the regular budget for 1992-1993 came to $763 million and the operational budget to $929 million, which included all technical assistance. If the UNIDO budget were presented in the same way, approximately $150 million of technical assistance would have to be included, which would make the total budget much bigger, while reducing the percentage of staff costs. In the case of FAO, the regular budget for 1992-1993 amounted to $651 million and the operational budget to $880 million, also including technical assistance. Consequently, comparison with the budgets of other organizations was misleading.

53. With regard to the comment made by the representative of Mexico on the nominal growth in the budget, he observed that the issue had already been debated at great length. It all came down to a question of whether the budget was calculated in United States dollars or Austrian schillings. In practice, a very large proportion of it, around 90 per cent, was spent in Austrian schillings.

54. He had done his utmost to provide assistance for the Palestinian people. But it was not merely a matter of creating a unit or a focal point within the Secretariat, although in fact an economist and a research assistant had been appointed in addition to the focal point. What was really lacking was money and resources. He therefore appealed for voluntary contributions from all countries that supported the Palestinian people, and in particular from the industrialized countries, to enable him to begin carrying out projects. A mission had already been sent to Lebanon. As soon as conditions were right and the United Nations gave UNIDO the signal, the Organization would start operations.

55. Reference had been made to the decrease in the allocations for human resources development, or training. The reduction was mainly due to a decline in overall UNDP projects for UNIDO, since a large proportion of training programmes had been funded under the UNDP indicative planning figure. In that connection, it should be noted that the 1990 amount of $17.2 million had fallen to $14.2 million in 1991.

56. A special effort had been made to identify women experts who could be recruited by UNIDO. In 1991, 184 women experts had been employed - 6.8 per cent of the total - which represented a small but encouraging increase over the 1990 figure of 6.4 per cent. The UNIDO roster of candidates included only 4.1 per cent of women, as compared with the 6.8 per cent actually recruited. The solution lay primarily with national recruitment services, which he would urge to put forward suitably qualified women candidates.

57. Several bilateral issues had been raised. He would make available to the representative of the Russian Federation a list of ongoing activities. The representative of the Czech and Slovak Federal Republic had expressed regret over the delay in the preparation of the major project on waste treatment involving three countries of the region. A project of that size, it should be noted, took roughly 18 months to develop, even when the resources for it were guaranteed. It was gratifying to note that several neighbouring countries had voiced an interest in the project and that Austria might be able to offer financial support. He looked forward to faster progress on the project in the near future.

58. The PRESIDENT, after noting that the debate on agenda item 5 had been concluded, said that the Board would return to the matter later to adopt a decision.

FINANCIAL SITUATION OF UNIDO (IDB.9/16; IDB.9/CRP.5 and Corr.1)

59. Mr. WARNER (Deputy Director-General, Department of Administration), introducing the item, observed that since becoming a specialized agency, UNIDO had always faced one form of financial crisis or another. In the past, such crises had been largely confined to the regular budget, but UNIDO now faced a situation embracing both the regular and operational budgets, which dramatically reduced the alternatives open to it. With the transition of the Soviet Union into a Commonwealth of Independent States, a significant source of financial support had disappeared and there was no way of knowing when the flow of funds might start again. Consequently, the 1992 forecast did not include that source.

60. The crisis had necessitated contingency measures, which were outlined in the documents presented to the Board. However, the real answer remained in the hands of Member States. There was a very real possibility that during several periods of the year the Organization might not be able to meet its fundamental obligations. He felt confident that Member States recognized the seriousness of the situation and would make every effort to pay their assessed contributions promptly.

61. While taking a conservative approach to expenditure levels in the operational budget, UNIDO had maintained them in the first five months of 1992, in anticipation of functional responsibilities under the successor arrangements with UNDP. Those arrangements had not been implemented in a form which permitted financial results in line with estimates established in 1991, the final year of the fifth UNDP programming cycle. Meanwhile, the implementation of the successor arrangements had been delayed by eight months, which might create a serious imbalance in terms of expenditure and income in the operational budget. Although the Organization had reserve provisions for such contingencies, there was a limit on how long such resources could support a shortfall in income. As that limit was approached, UNIDO would have to have recourse to still more conservative procedures, paying due attention to the delicate balance between the delivery objectives for technical assistance and the level of resources needed. As resource levels declined, so did the probability that programmes could be delivered. Yet the time limitations on UNIDO's reserve capacity required that action be taken far enough in advance to head off illiquidity. Intensive efforts had been devoted to obtaining income from alternative sources; recent experience with multilateral financial institutions had been positive in that respect.

62. The Secretariat had taken steps to curtail expenditure since the General Conference and was prepared to use even more conservative approaches in order to maintain fiscal integrity. The Organization had entered the initial phase of an adjustment period. The conclusions drawn and the subsequent action taken would determine the course of operations in the years to come.

63. Ms. KIMBLE (United States of America) said that her country, which shared the concern of other Member States and the Secretariat about UNIDO's financial situation, welcomed the comments made by the Deputy Director-General. The Organization had been forced to make difficult adjustments, and she recognized the Secretariat's efforts to cope with constraints and keep key activities going. The slow-down in technical cooperation delivery combined with exchange-rate fluctuations had had a major negative impact on the operational budget. In the UNDP Governing Council, the United States representative had urged UNDP to speed up implementation under the successor arrangements. That would be a first step. However, the failure of Member States to pay their assessed contributions and to reduce their arrears made it extremely difficult for UNIDO to carry out its programme of work. The outlook for UNIDO's financial flows remained uncertain, necessitating restructuring as a matter of urgency.

64. Her Government was committed to meeting its financial obligations to UNIDO and had begun to implement a plan to pay its arrears over five years in instalments of roughly equal value. Those payments were in addition to full funding of its regular UNIDO assessments. A second arrears payment of approximately $3 million was expected in the current fiscal year, following an initial $2.9 million payment in 1991. The budget request for 1993 included full funding of the 1992 assessment as well as funding for payment of the third instalment of arrears. The total 1993 request for UNIDO amounted to $26,624,000: $23,566,000 for the 1992 assessment and $3,058,000 for arrears. It was expected to complete payment of arrears by 1995.

65. The severe budgetary constraints facing all States had to be recognized. There was no reason to expect larger resource flows, which made the outlook for the decade unpromising. All countries should work together to focus the limited resources available on real priorities and to take the essential decisions on restructuring.

66. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the Member States of the European Community, expressed deep concern about UNIDO's critical financial situation, noting that the Director-General had been forced to take measures to face the crisis resulting from the high percentage of unpaid assessed contributions. The situation was unacceptable, and he again urged Member States to pay their contributions on time and their arrears as soon as possible. In the end, it was the recipient countries, especially the least developed among them, which would suffer most.

67. The contingency measures, such as the higher vacancy factor and the lower level of allotments, were justified by the situation, but provided no solution for the long-term future of the Organization. On the contrary, they might jeopardize the fulfilment of UNIDO's objectives. Being deeply concerned over the shortfall in income, both in the regular and operational budgets, he underlined the need to prioritize UNIDO's activities and, if necessary, to suspend some that were of lower priority. Proposals along those lines should be submitted to the next session of the Programme and Budget Committee.

68. In conclusion, he supported the proposal made in paragraph 16 of document IDB.9/16 concerning the methodology to be used in establishing the dollar equivalent of unused schilling balances.

69. Mr. KAMEL (Turkey) noted that the unpaid contributions from Member States now amounted to some $98 million, which had obliged the Secretariat to cut down spending and to increase the vacancy factor. As pointed out by the Joint Inspection Unit, that practice was in conflict with UNIDO's responsiblity to implement the approved budget and programme in full. In the past, the Organization had been able to use a surplus in operational budgets to solve the liquidity problem. However, project approvals had slowed down in 1991, which would result in less income for the operational budget. The long delay in implementing the successor arrangements had had a negative impact on income expectations. Indeed, hardly any project had been approved by UNDP in 1992. There was little cause for optimism about other sources of income.

70. Given UNIDO's critical financial situation, he called for further information on the following: project allotment documents for 1992 and coming years; number and cost of projects approved in 1992, by source of funds, and comparison with the same period in 1991; money available in the operational budget after deducting the statutory reserves; number of staff members charged to the operational budget and actual monthly expenditure in 1992, together with projected monthly expenditures to the end of the year; implementation of projects in 1992, by source of funds, and comparison with the same period in 1991, together with projected implementation until the end of the year. With that information, the Board would be in a better position to judge the dimensions of the problem and to take the necessary remedial measures.

71. Mr. ANGUIANO (Mexico) said that the present financial crisis was more acute than any previous one, with the consequences set forth in document IDB.9/16. It would be recalled that his country had voted against the proposed budget for 1992-1993 at the fourth session of the General Conference. Because of the lack of transparency concerning the financial obligations of Member States, Governments were faced with a 25 per cent increase in their assessed contributions, despite the assertion that the regular budget represented negative real growth. As a result, many States were unable to meet their obligations, as shown by the fact that arrears now amounted to more than $70 million. His own Government had been one of the first to begin payment for the current biennium and had just deposited a second instalment. He appealed to other Member States to pay their assessed contributions as rapidly as possible.

72. In view of the arrears of over $23 million for the previous biennium, he invited members of the Board to offer guidance to the Director-General on how to overcome the present financial problems. Instead of sharing out reductions evenly among all programmes, he suggested the more unconventional approach, already tried out within the United Nations system, of requesting the regional groups to establish their own priorities, so that programmes of lesser importance could be eliminated in favour of more relevant or urgent ones.

73. The unrealistic estimate of income for the operational budget made it essential to adopt remedial measures so that the situation could be stabilized. More drastic measures were needed, involving economies and improvements in operational efficiency; staff cuts to levels commensurate with income; and use of the unused balance of $4.2 million from earlier bienniums. Unless some such measures were adopted, it might prove necessary to have recourse to a supplementary budget to enable the Organization to continue its operations.

74. Mrs. MOYA-GOETSCH (Austria) said that the failure of so many Member States to meet their financial obligations was due to genuine constraints in some cases and to an obvious lack of commitment in others. Reliable payment of assessed contributions was the only solution. She considered that the high vacancy factor was bound to have a negative effect on UNIDO's programme implementation. Furthermore, she agreed with the Inspector that it was not logical that Member States, by not fulfilling their legal obligations, should hamper the Secretariat in implementing the approved programme budget. Consequently, the contingency margin should be removed as soon as possible.

75. At the same time, Member States had the right to demand value for their money, which implied that at times of financial difficulty cutbacks should be made in such areas as administration. Operational programmes should be rationalized, but only curtailed when absolutely necessary. Expensive mistakes, such as had occurred in the past, must be avoided at all costs.

76. Mr. OCHOA (Venezuela) said that the regular budget deficit was to a large extent attributable to late payment or non-payment of contributions by Member States. His Government was endeavouring to finalize payment of its 1992 contribution as soon as possible, and it urged other Member States, especially the major contributors, to pay their contributions forthwith.

77. His delegation was extremely concerned at that situation, not only because the result was that a number of activities for developing countries had had to be postponed, but also because the unexpended balances for two consecutive bienniums would not necessarily be used to execute the activities for which the appropriations had originally been approved. In that regard, his delegation awaited with great interest the report by the External Auditor.

78. With regard to the question of the 15 per cent reserve, his delegation considered that the issue should be placed on the agendas of the eighth session of the Programme and Budget Committee and of the next session of the Board. Nevertheless, it was clear that in the circumstances imposed by a policy of zero real growth, there must be a prioritization by Member States of UNIDO programmes, using the Medium-Term Plan as a frame of reference.

79. With regard to the operational budget, the fact that the income estimates adopted by the General Conference at its fourth session might not be achieved, inter alia as a result of the implementation of the new arrangements in the tripartite relationship with UNDP, meant that the Secretariat should be asked to submit, at the next

session of the Committee, an estimate of operational budget income for the remainder of the biennium. In the meantime, the operational budget might be brought into balance through measures such as greater economies at all levels, greater efficiency, and the use of the uncommitted operational budget reserves. Use of the statutory reserve would require the express authorization of the Committee and of the Board. With regard to staff reductions as an additional means of balancing the operational budget, the principle of equitable geographical distribution among staff of the Secretariat must continue to be respected.

80. In conclusion, he asked the Secretariat to provide a fuller explanation of the criteria applied in deciding on the postponement of execution of activities in response to threatened falls in the Organization's income.

The meeting rose at 1.05 p.m.

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Industrial Development Board

Ninth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 19 May 1992, at 3 p.m.

President: Mr. CLARK (United Kingdom)
later: Mr. CSERVENY (Hungary)

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The meeting was called to order at 3.05 p.m.

FINANCIAL SITUATION OF UNIDO (continued) (IDB.9/16)

1. Mrs. CONSTANTINO (Observer for Philippines) said that her delegation shared the deep concern felt with regard to the serious financial situation now faced by UNIDO. The level of unpaid contributions was staggering; as of 15 May, 18 countries, representing a mere 11.7 per cent of the Organization's membership, had paid their assessed contributions in full. The delay in payment by a small number of Member States had a disproportionate impact, $64 million of a total of $98.8 million being due from only three Member States. The situation with the operational budget was less serious, since project approvals were still running at the level of $75 million; it would be disturbing, however, if the downward trend were to persist. The present drop in project approvals might be due to the change in the tripartite system; the decline might be temporary, and the situation might stabilize in the coming months.

2. Several measures were vital to address the financial crisis. First, Member States should set their priorities, in order to provide clear guidance to the Secretariat for the allotment of appropriations. Second, Member States should pay their assessed contributions promptly and in full. Third, the Secretariat should keep Member States fully informed of the current position with regard to the operational budget, and of its estimates of future income and expenditure. Lastly, the Secretariat should continue its efforts to obtain additional resources for technical cooperation from financial institutions in the United Nations system. The proposal to suspend the 15 per cent contingency margin should be submitted for consideration by the next Programme and Budget Committee session. She supported the contingency measures proposed by the Secretariat to deal with the current financial crisis.

3. Mr. KRISHNAN (India) said that the successor arrangements approved by the Governing Council of UNDP would reduce income to the operational budget in the immediate future. He strongly supported the proposal in paragraph 14 of document IDB.9/16 for the utilization of some of the operational budget reserves, amounting to around $4 million, to cope with the cash flow problem. The present crisis was due chiefly to the failure by some Member States to pay their assessed contributions. His country's budget year began in April; the budget was adopted in May, and approved payments were being made in the second half of the year. He hoped the payment of its contribution to the Organization would be expedited, and urged other Member States to fulfil their own obligations speedily. In light of the scarcity of resources, UNIDO must prioritize its activities and programmes in order to make the most effective use of the available resources; and he looked forward to the Director-General presenting a paper on the

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question at the next Board session. In the meantime, his delegation endorsed the draft decision in paragraph 17 of document IDB.9/16.

4. Mr. GUTIERREZ (Chile) said that all Board members were fully aware of the grave financial situation facing the Organization. Unfortunately, the position regarding the payment of assessments was exacerbated by political change and adverse economic factors in many countries. It should be made clear, however, that although the developing countries were numerically the largest group among the defaulting Member States, they were not the most significant in terms of the amounts owed. The Organization's working methods and style of management might well be responsible to some extent for delayed payment or non-payment of contributions to the regular budget. He noted that the Secretariat, despite the present financial difficulties, had not yet suggested any change to the Organization's budgeted programmes or activities. Member States were well aware that the agreements recently concluded with UNDP would result in reduced income to the operational budget. Both his own and other regional groups had warned of that outcome before the General Conference. Yet they had been assured by the Secretariat that its estimates of support costs would be unaffected. Since that assumption had proved incorrect, his delegation felt entitled to insist that the method used to draw up the budget should be corrected.

5. Electronic data processing (EDP) would cost $25 million in the present biennium, $12 million coming from the operational budget. Those funds ought to be utilized for technical assistance. In view of the gravity of the situation, the Programme and Budget Committee should be provided with a list of programme activities, with a clear indication of those which could be held over until sufficient funds were available. In line with Article 9, paragraph 4 (a), of the Constitution, the Board should determine the manner in which appropriations should be made for each budget programme. Chile had always made constructive criticisms and suggestions. He now proposed that the Secretariat should adopt a practice already followed in IAEA: it should submit a list of pending activities, showing the priority accorded to each. For that purpose, consultations should be held with representatives of all the regional groups.

6. Mr. WANG Zhixi (China) said that it was impossible for any Organization to achieve its goals without guaranteed resources. It was incumbent upon Member States to pay their assessed contributions, in accordance with the Constitution of the Organization. UNIDO's Members were anxious that it should continue to provide services to developing countries in a changing external environment. To enable it to live up to the expectations placed upon it, Member States must discharge their own obligations by paying their contributions, together with all the arrears accumulated over the years. His delegation welcomed the Director-General's explanation of the measures devised to improve the management of the Organization and to make optimal use of the funds available. China, though itself a developing country, always honoured its obligations, and it had paid its 1992 contribution in April.

7. Mr. RIHA (Czechoslovakia) expressed deep concern at the deteriorating financial situation, which was placing a chronic burden on the Organization. Arrears of assessed contributions for 1992 had had an adverse impact on technical cooperation delivery, which had been below the budgeted level for the early months of the year. The shortfall was bound to affect the quality and effectiveness of the Organization's programmes. He appealed to other Member States to pay their contributions, including any arrears, as early as possible. Otherwise, it might be necessary to adopt a policy of financial stringency, similar to that followed in 1991. His own country had paid its assessed contribution to the regular budget for 1992 in full, and he earnestly hoped its example would encourage others to do the same.

8. Mr. HART (Observer for Australia) wished to place on record his concern at the level of unpaid contributions to the regular budget. There was little point in the Organization holding meetings to determine its policies if it lacked the financial resources to implement the resulting decisions. If the situation did not improve, Board members should take steps in addition to those proposed by the Secretariat. He suggested that the duration of meetings should be tied to the level of contributions received as a proportion of those payable. The resources saved if meetings were shortened to two thirds of their present length could be allocated to operational activities. As for the problems with the operational budget, he endorsed the proposals contained in document IDB.9/16 for seeking additional technical cooperation work from other sources, including the trust-fund mechanism, which generated extra resources. He agreed with the view that the regional groups should have a role in establishing priorities for the Organization. However, he could not support the solution of a supplementary budget, in view of the failure of some Member States to pay the contributions already due.

9. Mr. BYKOV (Russian Federation) shared the concern of other Member States and of the Secretariat with regard to the Organization's financial situation. The shortfall in financial resources, caused chiefly by the failure of some Member States to pay their contributions, was impairing UNIDO's ability to fulfil its mandate of promoting industrial development. The unique situation which had now arisen, with almost a quarter of the Member States having lost their voting rights, was bound to affect the Organization's capacity to make decisions reflecting the interests of all its Members.

10. Throughout the lifetime of UNIDO, the former USSR had complied fully with its financial obligations towards the Organization. Even now, though undergoing a difficult transitional period, the Russian Federation was determined to discharge its debts. All Member States were bound by the Constitution of UNIDO to fulfil their financial obligations. However, that alone would not solve all the Organization's financial problems. The Secretariat must redouble its efforts to implement its programmes and expend its resources in the most effective way. It must define priorities while programmes were under way; it must abandon outdated activities, implement administrative and structural reforms, and play its part in system-wide coordination, taking due account of the role of the Economic and Social Council as defined in the United Nations Charter. Additional steps the Secretariat should be taking included rationalizing expenditure on the computerization programme, making a more determined effort to

eliminate duplication in the various departments of the Organization, and ensuring the more rational use of funds for field services. One of the Secretariat's priorities should be to maximize output from existing internal resources. Member States must also focus on the priority to be accorded to the various programmes in the budget for the 1994-1995 biennium, in the light of planned budget resources.

11. His delegation supported the Secretariat's proposal (see document IDB.9/16, para. 17), for the methodology for the treatment of arrears described in paragraph 16 of document IDB.7/32 to be applied; such a decision would supplement the Board's earlier decision on the question (IDB.7/Dec.7).

12. Ms. ANGELL-HANSEN (Norway) said that the single most important reason for the financial impasse faced by UNIDO was the unfortunate practice followed by all too many Member States of delaying the payment of their contributions. The reduction in UNDP funding had further aggravated the financial situation, to the detriment of UNIDO activities and of developing countries. The Professional vacancy level of 15 per cent threatened to impair the implementation of approved programmes, and the scope for approving new activities was seriously circumscribed. It might become necessary to reduce or even abandon certain programmes. Member States attached great importance to strategic long-term planning as well as effective management. The successful fulfilment of those objectives was jeopardized by staff shortages and income shortfalls, which also placed a strain on the Organization's staff. He urged all Member States in arrears to make their best efforts to pay their assessed contributions promptly. He agreed with the view expressed that delayed payment of contributions resulted in an inequitable distribution of the financial burden among Member States. His delegation was ready to consider ways and means of remedying the problem, and to contribute to the Board's decisions for that purpose.

13. Mr. LEE (Republic of Korea) noted with concern that the financial situation of UNIDO was deteriorating, with possible adverse effects on the Organization's functioning. It was disheartening that unpaid assessed contributions as of 30 April amounted to a total of $98.9 million, more than the total budget for the year. It was also regrettable that 46 Member States, including six Members of the Board, had lost their voting rights. Ultimately, there was no other solution than the timely payment by Member States of their contributions, in accordance with the obligations they had assumed upon joining the Organization. He noted with interest the Director-General's suggestion for adopting a system of incentives and disincentives in order to secure prompt payment of contributions. If a workable system could be devised for use on a long-term basis, other organizations in the United Nations system with similar financial problems would also derive benefit from it. His own country would shortly pay its contribution for 1992. That contribution had unexpectedly increased by 300 per cent since 1991, owing to the adjustment of its scale of assessment following its joining the United Nations. His Government had hoped that the necessary adjustment in its domestic budget would be approved before the end of 1992.

14. Turning to the contingency measures prompted by the current financial crisis, his delegation agreed that curbs on recruitment and on appropriations would be inevitable for the time being. It was concerned, however, at the fact that the non-release of approved appropriations for 1992 and the rising level of Professional vacancies were seriously hampering the implementation of approved programmes. The Secretariat should consider prioritizing programme activities, and should explore ways of maximizing performance. The views of Member States and of regional groups should be taken into account when fixing priorities, without placing an undue burden on the Secretariat's time and resources.

15. Finally, he hoped the Director-General would continue to keep the Board fully informed of developments, to enable it where necessary to offer informed guidance to secure the efficient functioning of the Organization.

16. Mr. AL-ZEID (Saudi Arabia) said that everyone was aware of the cash flow problems of UNIDO stemming from the failure of some countries to pay their contributions fully or on time, and of the adverse impact thereof on activities and expenditure for 1992. It should be possible to cooperate with UNIDO to overcome that problem provided UNIDO made efforts to streamline its work and reduce expenditure without reducing its effectiveness. Saudi Arabia also associated itself with those who had urged certain Member States to discharge their past and present obligations without delay, failing which the success of UNIDO could be jeopardized and turn into failure.

17. Mr. ABDEL-HAMID (Egypt) said he was concerned over the financial situation of UNIDO, which was caused, among other things, by the failure of the Member States to pay their shares of the regular budget and the reduction in operational budget income due to the new successor arrangements. It was encouraging that some large contributors had indicated their intention to pay their arrears. On the other hand, the Secretariat must bear some responsibility for the inaccurate projections regarding the operational budget submitted to the General Conference at its fourth session. The Secretariat had provided information on measures adopted to deal with the crisis. However, his delegation would have expected the Secretariat to engage in a dialogue with the Member States on such proposed measures. For instance, depriving the Second Industrial Development Decade for Africa of 40 per cent of the funds earmarked for it for 1992 would jeopardize its execution, given the time-scale of the programmes. UNIDO's search for new sources of funding should not be at the expense of its establishment as a centre of excellence to serve the developing countries. He who paid the piper should not necessarily call the tune if that tune was contrary to UNIDO philosophy and to the interests of the beneficiary countries. The Member States should, in consultation with the Secretariat, review a number of programmes and determine priorities. Any rearrangement of priorities should be effected by the Programme and Budget Committee, and he would expect the Secretariat to provide details of the proposed measures at the Committee's session.

18. Mr. MIRLATIFI (Islamic Republic of Iran) said that, since UNDP financial support for UNIDO's

technical cooperation programmes had decreased by 22 per cent over the last five years, in his delegation's view UNIDO must investigate possibilities for project financing from other sources, including the Industrial Development Fund and trust funds. The problem of delays in Member States' payment of their assessed contributions was the main cause of the Organization's continuing financial difficulties and would give rise to further delays in project execution. Member States in arrears, particularly those in a better financial situation, should fulfil their obligations as soon as possible. Since UNIDO was one of the most important agencies for implementation of IPF projects, cooperation between UNDP and UNIDO should be further expanded, and a report on UNDP/UNIDO cooperation should be prepared for presentation to the next session of the Board.

19. The PRESIDENT said that, during the debate, a number of suggestions had been made to the Secretariat on such matters as how to deal with the problem of outstanding contributions. He invited the Secretariat to reply to the points made in the discussion.

20. Mr. WARNER (Deputy Director-General, Department of Administration) said that several delegations had suggested that a large part of the information requested on an updated basis should be submitted to the forthcoming Programme and Budget Committee session. He agreed with that suggestion: greater accuracy in statistical observations in connection with the operational budget would be possible at that time also.

21. As regards the consideration of a supplementary budget, it had been rightly pointed out that there was little rationale for that suggestion at a time when it was not possible to collect all the funds already approved.

22. Several speakers had said that there had been inaccuracies in the 1992-1993 budget estimates with regard to income. Those estimates had been partly based on what had been foreseen in the successor arrangements with UNDP; UNDP decisions had been delayed and it had become more difficult to calculate income accurately. Hopefully, the matter could be clarified prior to the Programme and Budget Committee session.

23. Serious thought should continue to be given to the issue of prioritization. Any suggestions would be welcome and any supporting information to assist with decision-making would be willingly supplied.

24. As regards the suggested formulation of a prioritized list of activities, on the lines of a solution adopted by IAEA, the suggestion was worthy of further consideration, but considerable differences existed between the two organizations in their programmes and personnel management systems. The suggested procedure could not be appropriately applied at the present time.

25. With regard to the request for an indication of criteria concerning the allocation of resources, he recalled that the 15 per cent withholding of budgetary allocations was required by the General Conference. Since different programmes had different cash requirement levels at their various phases during a biennium, attempts were made to allocate available cash to those programmes with the highest demand in the first year of the biennium. That process applied to non-staff costs. Apart from a very conservative recruitment approach, no hold-back had been operated in regard to staffing. The 15 per cent vacancy factor had not been applied to any specific programme and was administered through the Secretariat in as broad and balanced a way as was practical. The present unencumbered balance of the operational budget reserves was $4,346,400; the statutory reserve was $5.5 million. As at 30 April, 81 Professional staff and 235 General Service staff were administered under the operational budget. The actual expenditure on the operational budget to 30 April was $8,529,100. It would be speculative to discuss projected expenditures at the present time as these were subject to quarterly adjustments. Anticipated delivery for 1992 was $145 million, which was very close to the 1991 delivery level. Project Allotment Documents (PADs) on hand for the current year amounted to $155.4 million and for coming years $77 million (the comparative figures for the previous periods being $166 million and $83 million respectively). The amount implemented since the commencement of the current year was $73 million ($75.4 million for the previous year).

26. Mr. SIAZON (Director-General) said that, although the financial situation was serious, it had been encouraging to note the statements of delegations indicating the intention of their Governments to pay their outstanding contributions. Moreover, the situation was improving. He had stated at the Board's first meeting (IDB.9/SR.1, para. 27) that 46 Member States, including six members of the Board, had lost their right to vote; the number had since decreased to 43, including only four Board members. If this trend continued, the situation was indeed solvable, but it was up to Member States to honour at least part of the bargain. It would not be necessary to collect the whole amount owed in order to survive the current year. A discussion of prioritization was a useful exercise, but the first need was for States to pay their assessments.

27. In 1987 the operational budget reserves had been $7 million only, and UNIDO had then had more staff on the operational budget. Today the operational budget reserves were $9.7 million and part of those reserves could be used to adjust expenditure and income. Measures were being taken to ensure that the expenditure level in the operational budget was reduced. It was important to bear in mind that the operational budget must be managed carefully by the Secretariat. The first four months' projections of income were not a reliable indication of what the position at the year's end would be, particularly since UNDP was still in the process of implementing the new successor arrangements. It was essential that Member States keep one important distinction in mind - namely, the fact that, whereas in the case of the regular budget an appropriation was approved, in the case of the operational budget the General Conference approved only estimates of expenditure. The actual figure for the operational budget could be higher or lower than the estimate.

28. The statement by the representative of Chile that EDP would cost $25 million in the current biennium, $12 million coming from the operational budget, was incorrect. As shown on page 39 (paragraph 122) of document GC.4/42, the total net cost for EDP for the biennium was $12,363,000 only; the Chilean delegation had perhaps mistakenly included the cost for 1994 and 1995.

The operational budget portion, as shown on page 38 (paragraph 121) of the document, was $4,658,000, very far from $12 million.

29. Mr. ANGUIANO (Mexico) said that he was both surprised and encouraged by the Director-General's optimism. The figures submitted thus far were cause for concern. Member States undoubtedly had a duty to pay their outstanding contributions. Nevertheless, expenditure and costs also needed to be reduced or adjusted by the Secretariat. When the budget had been approved in 1991, concern had been expressed about the overoptimistic estimates concerning income. A similar situation could well arise again in a few months' time.

30. Mr. RIOBO (Chile) accepted the Director-General's correction regarding the EDP cost. However, caution needed to be observed in general assertions made. The realities of the current situation had to be acknowledged, otherwise valid solutions could not be found to the financial problems facing the Organization. Undue optimism had prevailed at the previous General Conference session and the Board was now faced with the resultant crisis. It was essential to prioritize.

31. Mr. SIAZON (Director-General) said, in reply to the Mexican representative, that serious steps had been taken by the Secretariat to reduce costs within the Organization. The vacancy factor was high, and allocations for travel, consultancy and expert group meetings had been cut back. The problem was indeed serious, but he welcomed the assurances given regarding the payment of outstanding contributions. If the Organization received $70 million of the outstanding dues, it could manage its affairs for the current year.

32. Mr. RIOBO (Chile) expressed the wish to be provided with a conference room paper showing where travel and consultants' costs had been cut. It was the task of the Board, not of the Secretariat, to decide on the implementation of the budget.

33. Mr. SIAZON (Director-General) said that the 15 per cent withholding of the allocations was conditioned by the inflow of assessed contributions. It was not really a matter of cutting, but rather of adjusting the phasing of implementation. It could happen, as in 1990-1991, that contributions were received too late and implementation during the biennium was no longer possible, but the aim was merely to delay implementation pending receipt of contributions. If the real intention was to cut, that would naturally entail prioritization and a decision by the Board.

34. Mr. WARNER (Deputy Director-General, Department of Administration) said that the 15 per cent withholding called for by the General Conference was adjusted across the house, taking account of different demand levels in different programme areas during any one biennium. What was involved was an internal hold-back to enable cash inflows to be monitored and managed responsibly.

UNIDO POLICIES, UNIDO ENERGY PROGRAMME (IDB.9/9, IDB.9/10 and Corr.1)

35. Mr. OXLEY (Industrial Operations Technology Division) said that the need for an energy programme had arisen out of a number of projects requested by Member States over the past ten years to which UNIDO had responded in various energy-related areas, including the rational use of fossil fuels and new and renewable sources of energy. The proposed energy programme recognized the need to harmonize the activities of UNIDO with the policies and requirements of UNEP, and reflected the outcome of the UNIDO Conference on Ecologically Sustainable Industrial Development (ESID). It was also a response to the documents prepared for the United Nations Conference on Environment and Development on such issues as global warming and climate change. Such factors underscored the need for UNIDO to consolidate and strengthen its energy activities not only at the project level but also at the programme level, seeking to create full awareness and build up the necessary infrastructure in developing countries, taking full account of the technical, economic and environmental aspects.

36. The first of its four subprogrammes focused on enhancing UNIDO's capacity to provide support for the energy-related aspects of industrial development, addressing the problem of the impact of industry on the environment as it related to energy use, and the need for increasingly diversified technical assistance to alleviate that impact. The second subprogramme aimed at assisting developing countries to build up industry-related energy systems, focusing on the contribution of the developing countries to optimizing world energy usage, as well as protecting the environment by using more efficient energy technologies within their own borders. The third subprogramme addressed the issue of sustainable energy development and utilization, in particular the problem of the developing countries not exploiting and utilizing their locally available energy resources in an environmentally sound manner, or failing to concentrate on per capita energy consumption rates and, specifically, energy conservation. The fourth subprogramme on industry for energy dealt with the need for new industries related to energy systems and the manufacture and design of equipment as energy demand in the developing countries increased.

37. UNIDO had the expertise for all the subprogrammes, but it was necessary to incorporate individual projects in a programme which could be presented to developing countries so that they could address the different aspects of the problem and reduce per capita energy use, at the same time achieving industrial growth in harmony with the environment. The overall objective of the energy programme was to reverse the upward trend in per capita energy consumption, and start the same downward trend in the developing countries as could be observed in many industrialized countries.

38. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, welcomed the programmatic approach adopted to energy-related activities, all of which deserved to receive increasing attention within the Organization. Energy was one of the most important factors to be considered in setting up new industrial activities, and on a project-by-project approach technological choices should be adopted that embraced the optimal use of energy from the standpoint both of its impact on the economics of the project and of its related effects on the environment. There was a need for environmental considerations to be integrated into energy-related projects, as with any other kinds of

projects, ensuring that the energy programme and the environment programme were fully coordinated.

39. The interrelated issues of the economic supply of energy, economic feasibility, industrial growth, economic development and market potential were essential components of decision-making in the planning and promotion of industrial development. The focus on the use of local resources and the recognition that technologies should be appropriate for a particular country's needs, and the simultaneous consideration of energy alternatives, were to be welcomed. Enhancing UNIDO's capacity to provide support to energy-related aspects was also of great importance for the success of the programme.

40. He commended the intention to strengthen cooperation and operational links with other organizations with a view to avoiding duplication of effort. Noting that minimum additional funding would be required, and that the experts involved would be financed from voluntary contributions, he emphasized that the funding should not adversely affect the net flow of aid to developing countries. Given the Organization's financial situation, he said he would welcome a clarification of the regular budget allocation involved and confirmation that it had already been included in the regular budget for 1992-1993.

41. Mr. LONSMANN POULSEN (Observer for Denmark), speaking on behalf of his own country and Finland, Norway and Sweden, reminded the Board of their concern at the shortcomings of the United Nations system, to the cost of whose operational activities they contributed about 25 per cent, and at the slow pace of reforming it. In 1988 that concern had led them to formulate the Nordic United Nations Project. The main report on the Project, published in May 1991, drew attention to the increasing marginalization of the United Nations system in the economic and social fields as it became incapable of effective action and its tasks were taken over more and more by the World Bank institutions and by the regional development banks. To overcome that situation, the various bodies making up the system must improve their performance, with each specialized agency playing its specific "centre of excellence" role and organizing its extrabudgetary activities in a way which allowed its governing bodies proper control over the agency's areas of involvement and expenditure.

42. UNIDO was among the organizations which had to take the problem of marginalization very seriously. There was a large gap between the size of its mandate and the financial resources at its disposal. It did much that was important, often efficiently, but it had never really found its feet. In considering the debate resulting from the Nordic United Nations Project, the Organization should pay particular attention to the idea that a specialized agency should be governed by a small body which met regularly and provided the agency's administration with detailed guidance. An increased emphasis on specialized agencies' normative and analytical functions was essential if they were to escape further marginalization, and in UNIDO's case it might be vital to its survival. That emphasis would be strengthened by the cessation of competition among agencies for projects, a process which there was reason to hope would be encouraged by UNDP's new support cost successor arrangements and its decision to rely increasingly on government execution. Agencies, including UNIDO, should nevertheless continue to be involved in project execution in a manner consistent with their skills and resources. The reforms sought by the Nordic United Nations Project applied more to UNIDO than to many other parts of the United Nations system.

43. Mr. SZABO (Hungary) said it was particularly important and timely that UNIDO had placed energy efficiency and its mutual relations with environment protection at the focus of its new energy programme in accordance with the aims of the action plan of the United Nations Conference on Environment and Development (UNCED) and especially with the Global Energy Efficiency 21 Programme begun by the United Nations Economic Commission for Europe in March 1992. However, it was regrettable that the budget available for implementing the very ambitious new programme was so limited.

44. Hungarian energy experts would be making a special contribution to the implementation of the programme. Within the framework of joint activities for 1992-1993, two diagnostic missions to selected countries in Africa and Latin America were planned in order to identify specific projects in the energy sector. On the basis of their findings and on receipt of government requests, project documents should be drawn up in close cooperation with the Industrial Operations Technology Division. During the present session of the Board, his delegation would be pleased to provide any information it could to the delegations from Africa and Latin America.

45. Mr. Cserveny (Hungary) took the Chair.

46. Mr. ANGUIANO (Mexico) stressed the need for the Board to concentrate at the present session on UNIDO's policies and to exchange views on the substantive aspects of the industrialization of the developing countries. Recent events in the world were an incentive to the international community to examine new forms of economic and political cooperation. In the case of UNIDO's sphere of action, he suggested that the Secretariat should submit its substantive programmes on small- and medium-scale industries and on industrial rehabilitation to the Organization's policy-making bodies for their consideration. That would enable the planning process to be completed in the five areas allotted priority under the medium-term plan, 1992-1997.

47. His delegation did not approve the revised energy programme proposed by the Director-General in document ID8.9/9 because in substance it contained the same proposals as the Board had discussed at its previous session. They were formulated in too general terms - that was evident from the contents of chapters II and III of the document - and the resources needed to implement them were quite simply unattainable. It was not the moment to approve programmes that could not be carried out with existing resources, whether derived from the regular or the operational budget.

48. In the present circumstances UNIDO should incorporate into every one of its industrial projects criteria such as energy saving, energy efficiency and environmental impact, as well as the idea of involving international and regional organizations specializing in energy in the conduct of industrial operations. His delegation suggested that the Director-General should formulate a new environment programme for UNIDO

containing the elements in the present energy proposals that were relevant to UNIDO's mandate and submit it to the Board for consideration at its tenth session. That would enable the Organization to take account of the conclusions reached by the United Nations Conference on Environment and Development and to deal with energy and environmental issues in an integrated manner as provided for in the medium-term plan, 1992-1997.

49. Mr. JOHANSSON (Observer for Sweden) said there had been general agreement at the fourth session of the General Conference that, in order to adapt to the profound and important changes that had taken place in the two years since the third session, UNIDO would have to define a new role for itself within its mandate, but it had not been possible to reach agreement on a new staff structure. Meanwhile, those changes had begun to make their mark on the Organization. Its operational budget was showing signs of a continuous and significant decrease; although the deplorable practice of late or even non-payment of assessed contributions to the regular budget should be ended, there did not seem to be any reason to expect a reversal of the trend towards a decrease in project delivery; and the alternative of special trust fund projects was not a valid solution for a specialized agency of the United Nations system. UNIDO should adapt its organization to its new role in providing analysis and advice to developing countries in areas such as industrial norms, policies and strategies, which would be in line with the conclusions of the Nordic United Nations Project concerning the future role of the specialized agencies.

50. There was a clear need now for Member States to discuss prioritization of the Organization's activities, which was not a matter that could be handed over to the Secretariat or to an independent consultant, unless that consultant received very clear terms of reference from the Board. Sweden would welcome revitalization of the informal process of consultations on the role of UNIDO with a view to reaching a basis for an agreement between Member States before the next session of the Board.

51. Sweden had noted with satisfaction that UNIDO had chosen an organizational solution for implementation of its environment programme, allowing a unit within the Department for Programme and Project Development to address environmental issues in a cross-organizational manner. That solution had been instrumental in making environmental concerns an integral aspect of all UNIDO's activities. The programme should continue to emphasize coordination and awareness-raising in environmental issues within UNIDO's activities.

52. Sweden noted with appreciation the increase in the percentage of women occupying posts in the Secretariat that were subject to geographical distribution. However, efforts had to be continued, and the support of Member States had to be maintained if the targets were to be reached and the grade pattern improved.

53. Even if market-based solutions and private initiative had widely been accepted as the most important basis for industrial development, Sweden believed that a reformed UNIDO, concentrating on its areas of comparative advantage, had an important role to play in assisting developing countries, in cooperation with other international organizations, in drawing up industrial policies and standards.

54. Mr. BAKSHI (India) welcomed the fact that UNIDO had taken note of the priority areas listed in General Conference resolution GC.3/Res.18, reflecting its involvement in programming activities in the Asian and Pacific region, although actual programmes did not adequately meet the concerns of the Asian Group, especially those of the advanced developing countries. The new UNDP successor arrangements had had a benficial effect on UNIDO's country and regional studies, and the Industrial Development Review Series was an essential element in the programming work undertaken for countries of the Asian and Pacific Region. The Organization could, however, attempt more in respect of sectoral studies, and update some earlier ones under the Industrial Development Review Series.

55. The comparison of significant performance indicators set out in table 1 in chapter II of the annual report gave a satisfactory account of UNIDO's work on industrial policy and perspectives. As for its work on programming and project development, there was an adequate portfolio of pipeline projects. The close link between the development and transfer of technology and human resource development had been demonstrated and reflected in firm policy options. As regards the energy programme, many of the activities were desirable. India understood that because of the resource constraints on UNIDO it was not possible to achieve all the objectives set out in document IDB.9/9, but would welcome a long-term consistent programme once the general direction had been established. It was to be hoped that there would be more discussion of the subject at the next session of the Board. India had developed expertise and acquired experience in some energy-related areas and would be willing to share that knowledge with the world community; India would also greatly benefit by technology transfer from countries which had already done work in those areas.

56. UNIDO's policies should continue to focus on existing plans, programmes and priorities, while taking full account of the emergence of new economies in Eastern Europe, the increasing shortage of funds for the development of the developing countries, and changes that were in the offing in the United Nations system.

57. Mr. OCHOA (Venezuela) agreed with other speakers that changes in the world situation were a reason for UNIDO to consider in depth its role in meeting the new challenges which those changes presented while continuing to work towards the industrialization of the developing countries. That would involve the Organization in examining the substantive aspects of industrial development as a prerequisite for devising a satisfactory solution to the problem of its own restructuring. Its Member States should set priorities for the Organization's activities - in the view of his delegation, within the framework outlined in the medium-term plan. Venezuela supported the Mexican suggestion relating to the submission of programmes on small- and medium-scale industries and industrial rehabilitation.

58. His delegation found the Director-General's revised energy programme proposals (IDB.9/9) to be essentially the same as those which it had

rejected at the previous session of the Board. The revised proposals went beyond UNIDO's mandate, were based in some cases on premises which his delegation did not share and were not fully in keeping with Board decision IDB.8/Dec.12. His delegation did not accept the view that the proposed activities should be financed from the regular budget. It requested the Secretariat to formulate new proposals which contained those elements of the present proposals that conformed to UNIDO's mandate. The new proposals should be included in the document to be submitted to the Board at its tenth session in connection with the updating of UNIDO's environment programme in the light of the recommendations which would emerge from the forthcoming United Nations Conference on Environment and Development.

59. Mrs. MACHADO QUINTELLA (Brazil) said that chapter I of the annual report, entitled "Policy issues", gave an accurate analysis of the many serious problems with which developing countries were having to cope. The correct diagnosis of the existing difficulties was a sound basis for the identification by UNIDO of the actions it should undertake in order better to assist the developing countries in their efforts to achieve industrial growth, modernization and restructuring. In particular, Brazil fully supported the principle that UNIDO's primary commitment - from which it should not be distracted - was to developing countries, and that in view of the challenges and financial constraints, the only way for the Organization to survive was to become a centre of excellence and specialization. UNIDO could not do everything at once, and firm priorities should be set and observed; for the moment at least, it should not embark on new directions or prepare ambitious new studies which were not urgent.

60. As for UNIDO's financial situation, the Director-General should seek new sources of funding and closer cooperation with the international financial organizations; he should continue to follow the judicious policy of not spending more than the Organization was receiving as income. Member States were paying their assessed contributions as speedily as they could, and the problem of arrears of contributions was in any event not unique to UNIDO. If the Organization concentrated its efforts where they were most effective, there would be a corresponding gain in quality, as well as in confidence, and financial support, especially from the donor countries, would be more readily forthcoming.

61. Document IDB.9/9 presented Brazil with a number of difficulties. Its approach was based on assertions that were not scientifically established. It also proposed activities in energy-related areas which duplicated what was done by other specialized agencies and UNEP; in some respects, the programme was itself repetitive. In any event, the document was not realistic because it did not take full account of UNIDO's financial situation; it did not seem to be an appropriate time to approve a new energy programme. There were no grounds for optimism concerning voluntary contributions, which were never made as freely as they should be, and would contribute to strengthening the dependence of the developing countries on the developed countries. The document discriminated between developed and developing countries: an important part of the technology generated in the field of renewable sources of energy had come from developing countries like Brazil, and she saw no reason why energy-related technology should always be imported from the developed countries; here was an excellent opportunity for the developing countries to increase cooperation amongst themselves. In her view it would be better to await the results of the forthcoming United Nations Conference on Environment and Development at Rio de Janeiro, and then base a more effective UNIDO energy programme on the Conference's findings.

62. Mr. LAMAMRA (Observer for Algeria) said that his delegation had carefully examined the proposals of the Director-General in document IDB.9/9 and welcomed the central role given to the "energy" input in industrialization and economic development. Per capita energy consumption was a measure of development and of industrial productivity. Consequently, his delegation could not agree with the premises in paragraph 14 regarding per capita energy consumption. The idea of combining sustained industrialization of developing countries with low energy consumption was a theoretical proposition on which no significant development project could be based.

63. The misgivings felt by his delegation during the consideration of document IDB.8/9 had not been dissipated. The programme submitted in 1991 now seemed to offer a better working basis than the new programme, and it was a pity that prior consultation with Member States had not been organized by the Secretariat before the official submission of document IDB

64. The ecological considerations in document IDB.9/9 seemed premature on the eve of the Rio de Janeiro Conference, whose results they prejudged.

65. The Algerian delegation supported the view expressed by the Special Advisory Group to the Director-General in paragraph 36 of document GC.4/22 that the proposals for future UNIDO activities in the energy and environment field were very ambitious, particularly considering the scope of the proposed programme, the small budget allocation and the financial situation of UNIDO.

66. Instead of adopting a vast programme that could not be implemented, UNIDO should concentrate on seeking to optimize the "energy" input in technical assistance and project execution.

67. Mr. ONSY (Egypt) was in broad agreement with the basic considerations contained in chapter I of document IDB.9/9, in particular regarding the growing energy needs of developing countries, and their right to use all available sources of energy to achieve their development goals. However, the proposed programme was not always consonant with those principles. For instance, paragraph 28 referred to the contribution developing countries could make to energy conservation by using advanced technologies, and yet neglected to make any mention of the industrial countries despite the low level of energy consumption in the developing countries noted in paragraph 8. Energy conservation and protection of the environment should be twin goals within a global framework of development in the developing countries, and not be considered separate from or serve as an obstacle to such development. The Secretariat should not ask the Board to approve such an important programme in the absence of technical expertise of its own for its implementation. His delegation attached great importance to the environment and energy programme within the

medium-term plan, and hoped to see a programme of integrated activities and well-defined objectives. He therefore requested the Director-General to revise the proposed programme in line with the medium-term plan, taking into account the observations of the Member States. He also urged the Secretariat to upgrade its technical capacity in the energy area as outlined in paragraphs 23-27, and stressed the importance of coordination between design and execution units. The industrialized countries might be able to second experts to UNIDO on a cost-free basis, and seminars should be organized for staff members at UNIDO headquarters.

68. Mr. LAVROV (Russian Federation) said that he supported UNIDO's energy policy and programme in principle but that the Organization should concentrate its efforts in two related directions: the implementation of specific programmes and projects to provide the infrastructure required for the development of priority branches of the economy which were important for each individual region and country, and the development of energy to meet the day-to-day needs of the populations of developing countries and the requirements of small-scale industry and agricultural production. The balance between those two directions would depend on the status and conditions of the regions and countries in which the programme was implemented.

69. The new status of enterprises, industrial associations and consortia and production and scientific-technical associations in the Russian Federation now made it possible for them to participate directly in the economic activities promoted by UNIDO. Implementation of the energy programme would enable the Russian Federation to participate under conditions that were mutually beneficial to Russian industry and to the developing countries.

70. It was necessary to establish clear priorities for the energy programme - to establish a system of effective measures for energy saving and its rational use in industry, ensuring the transfer to developing countries of resource-saving technologies based on the latest advances in science and technology and adapted to the conditions of the specific regions concerned. It was also necessary to take into account the environmental aspects when supplying energy to industrial facilities and establishing regional systems for energy saving, and optimum sources of energy should be chosen for day-to-day needs and small production units. The energy programme should contribute to the establishment of domestic potential for the production of energy technologies that were oriented towards local resources in order to minimize expenditure on imports of resources and technologies.

71. There should be better coordination in the implementation of the energy programme between the various units of UNIDO and international governmental and non-governmental organizations. There was also insufficient regional cooperation between developing countries. Energy development was a subject being dealt with by the regional economic commissions of the United Nations, and if the UNIDO energy programme were coordinated with them it would be more effective and realistic. Given the complex financial situation in which the Organization found itself, there should be more detailed examination of the financial support to be given to the energy programme, and coordination with bodies such as UNDP, the Economic and Social Council and the World Bank should be emphasized.

72. Mr. AL-HOUTI (Kuwait) said that Kuwait had recently been the victim of a hideous ecological crime and well knew the importance of protection of the environment. However, the conclusions of chapter I of document IDB.9/9 did not solve the environmental question or serve the desired objectives. Questions of energy and the environment lay outside the original mandate of UNIDO; they were catered for by other specialized agencies, and would be discussed at the forthcoming Rio de Janeiro Conference. Cooperation with other bodies was welcome, but UNIDO should concern itself principally with providing technical assistance to developing countries for industrial development. The documents said nothing about the dangers of using nuclear energies, despite the risks of nuclear pollution. The recommendations for moving away from or rationing the use of fossil fuels would create great problems for the developing countries, since most producers of such fuels were developing countries and the fuels in question were their principal or sole source of income. The focus should therefore be on making optimum use of such fuels rather than phasing them out, and on applying available technological means to alleviate their adverse effects. For those reasons, his delegation could not concur with the conclusions of document IDB.9/9.

73. Mr. FILALI ADIB (Morocco) found the Director-General's proposal for UNIDO's energy programme relevant to the developing countries, whose energy needs were growing to a degree which made them not only difficult to meet but also an important factor ecologically. The proposals rightly recognized the crucial nature for developing countries of the promotion and application of new and renewable sources of energy and the adoption of technology for their optimal utilization. Energy must be seen in relation to the environment and the desirability of saving energy which contributed directly to pollution. With that in mind, Morocco had sought assistance from UNIDO in regard to pollution prevention. It supported the view that industrial development should be ecologically sustainable, that waste should be discouraged and that the best possible use should be made of resources.

74. Mr. EFIRD (United States of America) said that the present and future needs for energy, particularly of the developing countries, were such that energy generation and paths to industrialization had to be rethought. Technology cooperation played an important part in meeting those countries' energy requirements, a process in which the need for environmental protection had to be addressed as well. For countries like the United States, where most technologies were owned by industry, the transfer of environmentally sound technologies to developing countries was a function of the market economy. The role of government was to facilitate technology cooperation and his Government was ready to do that.

75. His delegation supported UNIDO's efforts to ensure coordination both internally and with other agencies in the United Nations system, and applauded its cooperation under programmes such as the Technological Information Exchange System and the World Environmental Centre. Those efforts should continue. His delegation also welcomed the evidence in UNIDO's revised energy programme that the Organization was beginning to implement the

guidelines laid down by the Conference on Ecologically Sustainable Industrial Development. The guidelines should be incorporated more specifically in the energy programme.

76. Mr. SOOKSMARN (Thailand) said that, in the view of his delegation, the Director-General had done everything possible to revise the energy programme in the way called for in Board decision IDB.8/Dec.12. It was clearly understood by Member States that the programme should be financed solely from extrabudgetary resources, like the environment programme. It was important to bear in mind that, at current production levels, non-renewable conventional sources of energy could last for more than 70, 100 and 600 years in the case of crude oil, natural gas and coal respectively. As a consumer, Thailand had every right to choose among various sources of energy, non-renewable or renewable, in meeting the need for ecologically sustainable industrial development. His delegation saw no reason to reject the revised energy proposals outright, although some of them might need to be modified in the light of the present discussion.

77. Mr. NDIAYE (Senegal) welcomed the energy programme and the balance it achieved between the claims of energy demand, economic growth and the preservation of the environment. His delegation approved the main features of the programme, which should aim at helping developing countries not only to study energy systems but also to assess the energy value of existing industrial plant. Bearing in mind UNIDO's financial straits and the concerns of developing countries, priorities should be established for the implementation of the various activities which the revised proposals envisaged. While helping the developing countries to strike the right balance between ecological considerations and the energy needs of sustainable economic growth, the programme must not become a means of curbing the development of their natural resources or set limits to the implementation of development projects. Africa, with its enormous potential, needed financial and technical help in order to improve the living standards of its peoples.

78. Mr. GUZMAN (Cuba) said that industrialization and development required energy to be utilized in different forms without harming the environment. UNIDO should strengthen the channels whereby information on efficient energy use was exchanged between countries. In considering the Director-General's proposals for the energy programme, the Board must remember that few countries had the resources for a proper study of the use of renewable sources of energy. The problems of the developing countries were immediate and could not await the solution of problems connected with the utilization of new forms of energy. In dealing with the question of ensuring the energy supplies needed for industrial development, UNIDO's programme should differentiate between the particular requirements of different countries and their level of technological development. The present proposals should be reviewed in the light of the outcome of the United Nations Conference on Environment and Development before they were approved.

79. Ms. ANGELL-HANSEN (Norway) said that the inclusion in the proposed energy programme of various points suggested at the previous session had made it comprehensive in scope. Her delegation appreciated the emphasis placed on the environmental aspects of energy consumption and the way in which energy and environmental issues were integrated into the activities of the Organization. Close coordination with other relevant bodies in the United Nations system was important in the interests of avoiding duplication and ensuring that UNIDO's energy activities were undertaken within its own mandate.

80. The outcome of the United Nations Conference on Environment and Development would be of particular relevance for UNIDO's energy programme. Energy was fundamental in promoting development and its use in developing countries would have to grow considerably. In her own country, hydroelectric power was a major source of industrial energy and one which was untapped in many developing countries. It was a clean and renewable source of energy but was barely touched on in the Director-General's proposal. Small-scale hydroelectric power plants would have been a useful subject to include.

81. Mr. ASHRI (Saudi Arabia) said that UNIDO should avoid dispersing its efforts and placing additional burdens on its budget. Rather, it should confine itself to programmes for which it had been mandated by its Constitution, and focus on providing industrial development assistance to the developing countries. There were other bodies to deal with the important topic of energy production and consumption.

The meeting rose at 6 p.m.

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Industrial Development Board

Ninth session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 20 May 1992, at 10 a.m.

President: Mr. EL-HUSSEIN (Sudan)
later: Mr. CSERVENY (Hungary)

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The meeting was called to order at 10.10 a.m.

UNIDO POLICIES, UNIDO ENERGY PROGRAMME (continued) (IDB.9/9)

1. Mr. SIAZON (Director-General) said that hitherto UNIDO had established its priorities on the basis of legislative mandates, a practice duly reflected in the medium-term plan. The debate on item 4, however, had shown the possible shortcomings of that approach. The Secretariat, having revised the energy programme once in compliance with the wishes of Member States, had been asked to revise it again. Obviously, there was need for a clear indication from Member States as to whether an energy programme was needed and, if so, what its content should be. As had been suggested by several delegations, it might be advisable to establish a mechanism consisting of regional groups to set priorities in conjunction with the Secretariat, which could provide essential information on the skills and organizational capabilities available.

2. With regard to the additional items proposed for inclusion in the agenda of the Board's next session, he agreed that the discussion of industrial rehabilitation and of small-scale industries would be most helpful. But such items could not simply be added without further ado to an already overburdened agenda.

3. The Secretariat was fully aware of the need for reform, which lay behind its restructuring proposals. Furthermore, it had made important contributions to this debate in the context of discussions on UNDP successor arrangements and similar reform items in inter-agency forums. What it now wanted was clear guidance from Member States as to what UNIDO's future role should be.

4. Mrs. TCHEKNAVORIAN-ASENBAUER (Director, Industrial Operations Technology Division), replying to points raised at the previous meeting, said that it had been suggested that the energy programme was too ambitious. It had, however, been developed on the basis of UNIDO's existing capacity and of projects that had already been implemented in developing and Eastern European countries. It had been prepared with the advice of an OPEC consultant, who had proposed that individual energy projects should be combined in a single programme, which would have a much bigger impact. He had argued that, through such a programme, UNIDO could promote the efficient use of energy, thus reducing the cost of industrial operations, making industrial exports more competitive and allowing the energy saved to be used for further industrial development. His proposal applied to all conventional sources of energy. It was felt that new and renewable sources were primarily suitable for rural

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development; they should be seen as alternatives, which could help, for example, to prevent deforestation, but not as substitutes for use in industrial areas.

5. When the energy programme had been drafted, UNIDO had had expertise available in petroleum and petroleum refining, coal and low-grade coal, gas, solar and thermal energy, biomass and wind. Hydropower had been omitted because, although UNIDO was engaged in various mini-hydropower projects, it was not involved in large-scale hydropower plants, an area dominated by the World Bank, for which UNIDO lacked the required expertise and resources.

6. A compilation of energy sector projects made in 1990 showed them amounting to about 10 per cent of technical cooperation activites, and since then the number had risen. There were hundreds of such projects in Africa, Asia and the Middle East. For example, a coal centre had been established in Poland, financed by UNDP; there was a wind-energy project in Egypt, with cooperation from Denmark, financed by UNDP, a solar/thermal project in Jordan and a mini-hydropower project in China. There were several donor-financed projects. The Angola Petroleum Centre, financed by the Norwegian Agency for International Development (NORAD), Italy and UNDP, has led to a new phase involving a programming mission which was under way for countries of the Southern African Development Coordination Conference (SADCC), in cooperation with Canada and NORAD.

7. It had been suggested that there was no relationship between the energy programme and the environment programme. Implementation of the energy programme would, however, contribute considerably to environmental protection by reducing gas emissions and air pollution. It had not been thought necessary to stress the relationship between the two in the document, but it was clear in the medium-term plan. Regarding the relationship between the UNIDO energy programme and the United Nations Conference on Environment and Development, she said that a paper on the issues of climate change and global warming, just received by UNIDO, called on all United Nations agencies to embark on programmes to reduce environmental effects by efficient energy use. The UNIDO energy programme could make an important contribution in that connection, showing that it was possible to protect the environment while at the same time promoting industrialization in developing countries by efficient use of energy.

8. Regarding the TCDC component of the programme, she said that many pilot projects concerned with training and the transfer and dissemination of technology, such as those in Angola and Poland, were open for cooperation with other developing countries.

9. Regarding the role of equipment, she said that the main factors in energy conservation and efficiency were correct operation and management, followed by maintenance, with equipment coming third. The energy conservation project in Egypt had shown that better operation and management of industrial plant and improved maintenance could save 30 to 40 per cent of the energy used without any further investment. If more savings were needed, and would require equipment, feasibility studies could be carried out to determine whether the capital investment was justified.

10. Due account had been taken of the comments made by Member States after the informal presentation of the programme in 1991, and cooperation had been started with OPEC, IIASA and IAEA. The four agencies had prepared a joint paper which was to be presented at the forthcoming World Energy Congress in Spain and had been accepted by the World Energy Congress Secretariat.

11. On the question of the funds required, she emphasized that no additional budgetary funds would be needed. Extrabudgetary funds would be used for the consultants. If no extra money was received from donors, the more than 200 projects under way would not be affected. The programme would be unable to expand, but it could continue at the current level.

12. Mr. ANGUIANO (Mexico) said it was clear from the Secretariat's replies to members' questions that there was no UNIDO energy programme as such, but that there were programmes and projects with an energy component, which was as it should be. There was thus no need for a new document on the subject. The energy component was clearly a fundamental aspect of other programmes and projects. A concern for the environment was already implicit in UNIDO's day-to-day operations. No action was required to allocate new budgetary resources; although paragraph 49 of the document referred to regular budget allocations, it had been explained that the funds required were supplementary resources. He believed, therefore, that the Board should simply take note of the document rather than regard it as a basis for reference. It was in fact rather confusing, since it made no reference to specific projects and used language which implied that UNIDO might become an energy agency.

13. Mr. QUIJANO (Observer for Colombia) said that energy had long been an important aspect of UNIDO activities. Document IDB.9/9 represented an attempt to respond to a request from the General Conference. The Secretariat should continue the initiative it had launched; specific aspects of the whole complex energy problem should be regularly submitted to the Board for discussion. One such aspect might be the tremendous problem in the rapidly growing cities of the developing world of the disposal and recycling of household waste. Another might be the use of energy and the conservation of energy - for example, in transport. Unfortunately, the costs of the proposed programme had been presented in a rather simplistic way. Very much larger sums, probably running into millions of dollars, would be needed for any serious work in the energy sector.

14. Mrs. TCHEKNAVORIAN-ASENBAUER (Director, Industrial Operations Technology Division) said that her reference to keeping within available resources related to staff costs at Headquarters. It did not mean that actual programming could not lead to millions of dollars in projects. She agreed entirely with the representative of Colombia on that point and wished to make it clear that UNIDO was not underestimating the cost. That cost would be borne, however, by the recipient countries or by the international financial institutions that might call on UNIDO for advice. The Organization was already working closely with the World Bank.

15. The PRESIDENT said that the Board had thus concluded its discussion of item 4. It would

revert to the item later for the sole purpose of adopting decisions on the matters raised during the debate.

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1991 (IDB.9/3, IDB.9/10 and Corr.1 and Add.1 and 2; IDB.9/CRP.1)

16. Mr. TANDON (Director, Area Programmes Division), introducing the item on behalf of the Department for Programme and Project Development, said that the report on technical cooperation activities in 1990 (IDB.9/3) covered the topics of capabilities for national execution of technical cooperation projects and the ratio of expert component costs to other component costs. It also provided a definition of the concept of technical cooperation in terms of UNIDO operational activities and discussed some qualitative and procedural aspects of appraisal and project development. As far as national execution was concerned, it should be noted that a significant part of technical cooperation activities were directed towards strengthening national capacities through institution-building and training projects. The report described the role of specialized agencies in the context of national execution as currently defined by UNDP, which was clearly different from the concept of "government" execution used before 1992. The chapter on the ratio of expert component costs to other component costs illustrated the complexity of the issues involved. The programming and appraisal process was being improved in line with General Conference decision GC.4/Dec.11.

17. Mr. KUME (Japan) expressed his appreciation for UNIDO's efforts to meet the challenges of industrial development in 1991 in spite of certain unfavourable factors and welcomed the fact that it had been found to be one of the most cost-efficient United Nations agencies. Bearing those achievements in mind, the Board now had to determine what action should be taken to offset the projected decline in operational income, especially from UNDP. It seemed inevitable that UNIDO must accept greater specialization and prioritization of its activities since it could not cover all the developing countries' various needs.

18. He welcomed the information contained in document IDB.9/3 regarding the measures taken during 1991 to improve the qualitative aspects of UNIDO's technical cooperation activities. In ensuring the quality of projects, attention must be given to relevance, feasibility, cost-effectiveness, sustainability and capability with the objectives of the medium-term plan. The true needs of the developing countries must, of course, always be taken into account.

19. During the past year his Government had contributed $4.2 million to operational activities through both IDF and the trust funds. The IDF contribution mainly concerned investment promotion (including feasibility studies) for Asia, Latin America and to a lesser extent, Africa, whereas the trust fund contribution had financed projects or programmes such as the LDC Programme for Africa, the Regional Programme for Latin America, rural women's projects in Africa and others. A very interesting workshop had recently been organized by UNIDO in Mali in close cooperation with the Governments of Mali and Japan to review promotional and training activities aimed at developing traditional textile industries in West African countries as part of the LDC programme. It was a good example of how UNIDO could use limited funds to good effect.

20. In continuing its efforts to meet the needs of the developing countries, he hoped that UNIDO would encourage internal teamwork.

21. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, welcomed the clear description contained in part I of document IDB.9/3 of the changes likely to flow from the introduction of the new support cost arrangement, and more particularly paragraph 4, which identified the basic criteria for defining a national entity as an executing agent, and paragraph 6, which described the probable new role of the United Nations agencies. He commended UNIDO for approaching the changes objectively. He expected that UNIDO would gradually carry out less routine administrative work on project execution and concentrate more on technical backstopping, as the advantages listed under paragraph 8 - apart from subparagraph (e) - seemed to indicate. In the longer term, the agencies might need to cut down the number of administrative staff. He would encourage UNIDO to give further study to the changeover to national execution and prepare a transitional plan of action. The changes involved would need to be reflected in budget projections and staff structure over the next five to ten years.

22. The countries of the European Community would make efforts in the UNDP governing bodies to ensure that, under the new support cost successor arrangements, UNIDO would continue to be involved in the execution of projects wherever it had a particular advantage. He recognized the importance of supporting and coordinating country programmes for technical cooperation financed from all sources (UNDP and non-UNDP) and would encourage UNIDO to promote complementarity and coordination between activities financed by UNDP and those financed by IDF and, as far as possible, by the regular programme of technical cooperation. The Organization should seek to promote internal teamwork, drawing on all its expertise for the development and implementation of projects and programmes. It should further develop mechanisms for the technical monitoring of all its programmes and projects, including field missions where required. He stressed the importance of the systematic evaluation of technical cooperation and the need to ensure that the results of evaluations were taken into account in project development. Finally, he requested UNIDO to apply fully the quality criteria adopted in decision GC.4/Dec.11.

23. Mr. PAREDES (Peru) said that the aim in technical cooperation should be to maximize national execution, with a view to increasing national capacity, and to developing projects meeting the real needs of recipient countries, while at the same time reducing costs, particularly expert costs. That was an approach which should assist in promoting the transfer of equipment and technology and enable technical cooperation activities to have a real impact on the economies of the developing countries.

24. Document IDB.9/3, part II, described the ratio of expert component costs to other component costs. It seemed clear that the combination of factors involved was mainly determined by the

recipient countries. Peru believed that stress should be laid on the transfer of technology and equipment and on training. It supported the proposed increase in the participation of developing country nationals in technical cooperation projects referred to in paragraph 16.

25. He had certain suggestions to make for improvements in technical cooperation activities. First, a working group might usefully be set up to study matters of substance, including the concept of cooperation, its scope and impact on the economies of the developing countries, the suitable combination of components and the strengthening of national capability, and to make suggestions on new approaches. Secondly, the technical cooperation programme should be strengthened to ensure that high quality was ensured throughout the process of project development and execution. Thirdly, technical cooperation funds should be increased, and in that connection he wished to appeal to potential donors for assistance. Fourthly, regional programmes, which gave an overview of the course taken by cooperation activities, should be strengthened. Due consideration should be given to the last aspect in the course of UNIDO's structural adjustment process, and in particular more support should be provided for the Programme for the Industrial Recovery of Latin America and the Caribbean.

26. Mr. NDIAYE (Senegal) expressed deep concern about the decrease in the financial resources available to UNIDO for its technical cooperation activities. In the context of the new UNDP policy, UNIDO's role was of the utmost importance for the developing countries. They needed UNIDO's support more than ever before to achieve their development objectives, whether in the preparation of sectoral policies or in the coordination of assistance offered by different financing agencies. It was of great importance to the African countries that adequate resources should be made available for those activities, which were indispensable for the success of the Second Industrial Development Decade for Africa. In view of UNDP's difficulties and the uncertainties surrounding the means of financing the Second IDDA at the regional and subregional levels, he wished to encourage UNIDO to organize joint missions to donor countries in cooperation with OAU, ADB, ECA and UNDP.

27. Mr. WANG Zhixi (China) said he had noted from the annual report and the report on technical cooperation activities that the current decrease in UNIDO's traditional resources, the switch towards the national execution of projects and the decline in the number of projects approved by UNDP was likely to continue in the future. UNIDO naturally had to take account of the new situation, but its main task was still to promote the industrial development of the developing countries. It should make every effort to maintain and increase the level of its technical cooperation activities. It should find the means of keeping abreast of changes in science and technology and discover new ways of providing technical cooperation so as to ensure the quality and competitiveness of its services.

28. In recent years the Secretariat had improved its standards of efficiency and the quality of its work and rendered valuable services to nationally executed projects. In general, his authorities were satisfied with the work carried out by the Secretariat, but they did believe that it should study how better it might serve the developing countries in the changed situation today. A great deal remained to be done. The Secretariat should respond promptly and effectively to developing countries' requests and raise its standards of efficiency still further. It should improve its cost-effectiveness. Project input costs had increased considerably and the Secretariat should take steps to lower them and husband the limited resources available for technical cooperation activities, thus enhancing UNIDO's image and making it more competitive. It should also diversify sources of finance and find the means of arranging for self-funding in some cases. The number of trust fund projects approved in 1991 had increased and offset some of the losses from projects financed by other sources. Investment promotion programmes had also increased rapidly, and those channels could be developed still further. On the other hand, IDF projects approved in 1991 had declined and UNIDO's goals had not been reached. He believed, however, that IDF was of great importance to UNIDO and hoped that all Member States would increase their contributions to them.

29. Mr. BRAGA (Brazil) said technical cooperation was one of the most important aspects of UNIDO's activities. While the Organization deserved praise for its efforts to strengthen such activities, it ought to give greater details on the projects and programmes implemented. He also believed that the Secretariat should establish with the recipient countries a more effective mechanism for evaluation of the effectiveness of its projects. One means of doing so might be for the national agency responsible for a project and the UNIDO expert assigned to it to prepare a "phase report". It would thus be easier for the Organization to identify the strengths and weaknesses of the methodology adopted in specific projects or in technical cooperation activities in a given sector.

30. He also believed that UNIDO should take into greater consideration the developing countries' capacity to implement projects and themselves to supply services - including experts - and equipment for UNIDO projects, thus strengthening economic and technical cooperation among developing countries. He believed that the percentage figure of 34 per cent of experts from developing countries on the roster was too low, as was the percentage of such experts appointed the previous year by UNIDO - only 18 per cent.

31. The evolution of the international situation seemed to indicate a need to reappraise all activities in all sectors of international life. It would seem appropriate to re-examine UNIDO's technical cooperation activities with a view to determining their strong points and their weaknesses.

32. Mrs. SUNYAKOVA (Russian Federation) said she was glad to note that, in spite of its financial difficulties, UNIDO's technical cooperation work had continued satisfactorily, with projects implemented in 1990-1991 to a value of $307.1 million, an amount 60 per cent higher than the corresponding figure for 1986-1987. It appeared that there had at the same time been a

decline in the volume of projects approved for execution, UNDP approvals having decreased, and she therefore welcomed the efforts made by the Director-General to adapt UNIDO's policy in that field towards the method of national execution. The success achieved in increasing the number of national experts should be acknowledged; it should help to develop cooperation among the developing countries and also enable existing resources to be better used. She believed it would be useful to examine the possibility of executing national technical cooperation projects with international participation and with access to appropriate sources of assistance through UNIDO.

33. UNIDO must have available accurate information on projects being executed at the national level. The former USSR had participated in the preparation of projects and training of national staff from the developing countries at various courses and seminars. The Russian Federation was now seeking the possibility of continuing such cooperation. Its organizations, which had extensive experience of such work, could take an active part in UNIDO's technical assistance projects in appropriate ways, including the provision of consultants and experts.

34. Her country was also very interested in drawing on UNIDO's experience in the establishment of free-trade areas, privatization, the promotion of entrepreneurial activity, the development of small and medium-sized enterprises and the use of non-waste technologies.

35. Mr. GUTIERREZ (Chile) said that in the restructuring of UNIDO, technical assistance should be analysed in depth, in order to bring about better coordination within the Organization and to take advantage of the opportunities available for obtaining financing from many different sources. A serious problem arose out of the pressure on staff to work in such a way as to secure more support costs for programmes. An atmosphere of unhealthy competition had arisen, in which there was a tendency to appropriate information instead of sharing it, which had an adverse effect on the Organization's work. In addition, many technical specialists found themselves spending too much time on the administrative aspects of projects rather than on the technical side. Once again, the result was a waste of human resources. In his view, there was a need to review the whole concept of technical cooperation, and he was not satisfied by the proposal in paragraph 18 of document IDB.9/3. Projects were the very basis of technical cooperation, although other activities, provided they were clearly defined, might also be included. UNIDO's future technical assistance and cooperation activities should be designed to strengthen national execution capabilities. All those matters should be thoroughly studied before the Board took up the question of restructuring at its tenth session.

36. UNIDO was at present entering a new phase of its existence, involving new relations with UNDP. A serious effort ought to be made to coordinate some of its activities with the programmes of the World Bank and the regional development banks, for which UNIDO could become an executing agency. The regional development banks were good potential sources of financing for UNIDO programmes.

37. In conclusion, he proposed the establishment of an informal open-ended working group to look into those matters in collaboration with the staff members concerned. A report on its work, which had no budgetary implications, should be submitted to the Board at its next session.

38. Mr. POPESCU (Romania) said he had been pleased to note that technical cooperation continued to be UNIDO's main activity and that, despite difficulties, it was the executing agency in 128 countries. However, he felt some concern over the decline in the share of training and equipment in total delivery and over the decrease in project personnel. The ratio of technical assistance components should remain more or less as it had been in 1988.

39. He had also noticed that UNDP still constituted UNIDO's major source of funding for technical cooperation. One third of the IPF approved for Romania had been allocated to two important projects: the establishment of a centre for the promotion of small- and medium-scale private enterprises and assistance to the Romanian national agency for privatization. A project had also been approved in 1991 for reducing environmental hazards from industry.

40. It was gratifying to note that by the end of 1991 the Special Industrial Services (SIS) allocations had been fully utilized, although there was cause for concern over a substantial reduction in real terms. He looked forward to the results of the evaluation of the SIS programme and hoped it would lead to improved guidelines.

41. It would probably prove necessary to reconsider the procedure for the recruitment of experts. According to the annual report, continued efforts had been made to rationalize recruitment and administrative procedures and to update the roster, with special attention to candidates from unrepresented and underrepresented developing countries. But appendix D gave a different picture. In 1991 only five Romanian experts had been appointed. He hoped that the position would be improved in future. That being said, he supported the Director-General's proposals to increase the participation of developing country nationals in technical cooperation projects.

42. He also endorsed the definition of technical cooperation in paragraph 18 of document IDB.9/3, which should be slightly modified to refer to United Nations sources of financing, and supported the action required of the Board in paragraph 8 of document IDB.9/2.

43. Mr. ROSALES (Cuba) said that his delegation took a particular interest in all activities designed to strengthen national execution capabilities, which were a most effective means of guaranteeing the necessary transfer of technology in the long term. That entailed active participation by the specialized agencies concerned in the various phases of project design, formulation, execution and evaluation. Cuba considered that there was a direct link between the success of a project and the national execution capability. In many developing countries the technical, scientific and organizational potential was available; what was lacking was the necessary financial resources and technology. It was precisely in that area that UNIDO could be of major assistance. Its involvement should always be on a case-by-case basis.

44. The ratio of project components should be determined solely by the priorities and objectives of the project concerned; any preference for this or that component based on the source of financing was undesirable. The results of some projects did not come up to expectations, because of delays in recruiting experts, providing training and supplying equipment. The technical cooperation machinery should therefore be dynamic and flexible, making use of the most appropriate forms of action.

45. He agreed with the view that a definition of the concept of technical cooperation must be based on the Constitution, viewed in general terms and not just as the sum total of the activities and services provided by UNIDO. The Secretariat should continue to study the question in depth with a view to providing the Board with more material for an exchange of opinions.

46. Mr. Cserveny (Hungary) took the Chair.

47. Mr. TANDON (Director, Area Programmes Division), replying to comments made in the debate, noted that many representatives had raised the question of redefining UNIDO's role in relation to UNDP. The central point to be noted was that the present stage was one of transition. The old regime was on its last legs, while the new regime had not yet been born. The state of transition had been going on for a long time. The most hopeful note was the emergence of a much greater degree of clarity: such terms as "government execution" and "national implementation" had now been defined in a constructive way, in the sense that under national implementation the agencies would have a role in terms of the inputs they could provide.

48. Many representatives had referred to the financial situation. There had been a long debate about technical assistance delivery and project approval. Of course the whole process had slowed down as a result of the state of transition. For instance, during the period 1986-1987, 123 country programmes had been approved. The comparable figure in the current period was only 19, rising in due course, it was hoped, by another 57. However, the situation should improve; higher delivery figures always followed higher approval figures. UNIDO had reached a record level of $106.1 million in mid-1991, but since then the approval rate had declined.

49. It had been widely argued that UNIDO should diversify its sources of financing, with special reference to the World Bank and the regional development banks. Some successes had been scored in the establishment of contacts with the World Bank and the Inter-American Development Bank (IADB). The World Bank had been active in assigning projects to UNIDO.

50. Concern had also been expressed about quality, with emphasis on the appraisal process. In that context, the objective-oriented planning process had been of considerable benefit, by making greater provision for participation by all the actors concerned, including the private sector.

51. On more specific points, the observer for Portugal, on behalf of the European Community, had called for a forecast of approvals and delivery. Unfortunately, the system had completely changed, and the previous type of forecast was well-nigh impossible. Until the situation became clearer, forecasting would remain problematic. Regarding the SIS programme, the resources, which were provided by UNDP, had remained constant since 1972. He agreed with the representative of China that UNIDO must prepare for the future, given the probability of a further decline in project approval and delivery. In an attempt to cope with the new situation, approximately 50 per cent of IDF had been devoted to low-income countries and a strong effort was being made to diversify UNIDO's sources of financing in a manner compatible with multilateralism. Regarding the regional programme in Latin America and the Caribbean, he drew attention to the way in which different sources of financing, including IDF and special-purpose contributions, had been deployed to bring about an increase. Further action would be taken along the same lines.

52. Mr. GUTIERREZ (Chile) said that, while grateful for the replies, he still had certain doubts. From his own experience he knew that it was of the utmost importance for relations with international sources of finance to be constant, and not sporadic. He would like to know whether the contacts that had been established with the World Bank and regional development banks had been at the working and programme levels, or had been more of a public relations operation. He noted with concern that the international financial organizations had not been represented at the General Conference. He would also like to be informed about the amounts of money involved.

53. Mr. SCOULAR (United Kingdom) said he understood that UNDP was at present meeting in Geneva to discuss the IPFs for many countries. That being so, it would appear that the timing of the present debate was wrong.

54. Mr. TANDON (Director, Area Programmes Division) said that the contacts with the World Bank had been of an initial nature. UNIDO wanted to be considered a development partner rather than a mere subcontractor. He had visited the World Bank himself, with a colleague, and UNIDO had been invited to carry out certain studies. It was true that the World Bank had at first entertained some reservations about UNIDO, thinking it too interventionist in its approach, laying down regulatory prescriptions. However, that impression had been dispelled in a series of meetings, at which UNIDO's concepts including that of strategic management of industrial development had been explained. The World Bank had accepted the concept of strategic management in principle, and UNDP had made an evaluation of the approach and endorsed it. There was now cooperation with several countries in Africa and some interest had been aroused in Latin America.

55. A high-level team had visited IADB, which had expressed considerable interest. Those contacts had been followed up by the Director-General's visit to Washington, where he had met the President of IADB. Once again, a beginning had been made and the ground had been prepared for further work. It was still too early to count the results in dollar terms: some projects were in the offing.

56. He agreed with the representative of the United Kingdom that a debate would be more meaningful in a few weeks' time.

57. Mr. GUTIERREZ (Chile) said that, after hearing the further explanations, his doubts had grown stronger. He would appreciate an answer to his question about the level at which the contacts in Washington had been held. Furthermore, while he welcomed the sustained action on behalf of Africa, he felt that little or nothing was being done for Latin America and the Caribbean, while Asia had not even been mentioned. A good beginning had been made, but his chief concern was to ensure that a determined effort was made to tap other potential international sources of financing.

58. Mr. SIAZON (Director-General) said that the Organization tried to make the best use of available resources and to identify partners both among the development agencies and among the financial institutions which could assist it in its development efforts in different continents. Before the meetings with the Inter-American Development Bank held the previous January, which had been headed by himself and the President of the Bank, meetings had taken place at the programme level; and agreement had been reached in January on some possible areas for cooperation, including the identification of two potential country partners. The President of the Bank was still waiting for allocation of a major part of his technical assistance funds. Once he received them it would be possible to start programming projects, and the Director-General was confident that such cooperation would be successful. In the meantime, UNIDO had sent an economist to the Bank, to help it prepare a country study on Brazil; and it was currently expecting a visit from an IADB expert on small and medium-sized industries, to discuss specific Latin American projects. During his visit to Washington, he had also met Mr. Müller, the head of the Bank's private-sector operations (ICC), and agreed to provide the Bank with investment projects, which it could examine and take up if appropriate. The first six projects would be provided cost-free. Thereafter the cost of project identification and formulation would be shared between the two organizations. Mr. Müller might have had some difficulty in starting up, but had been able to invest in some projects, and with the aid of agencies such as UNIDO should be able to identify more projects of common interest. It was expected that there would be fuller involvement with IADB once it began to receive funds from the Bush initiative. Cooperation with IADB regarding investment was the responsibility of the Washington Office, whereas the institutional link with the Bank was provided by the New York Office. UNIDO was also cooperating successfully with the Andean Development Corporation. There were delegates from Latin America assigned to IPS offices, precisely in order to identify joint-venture projects. It could thus be seen that a good deal of activity was taking place that, for lack of space, was not reflected in the report.

59. The annual report showed that substantial technical assistance was provided to Asia. UNIDO's three largest programme countries were in Asia, and there was much investment activity in that continent. Unfortunately, attempts to establish a formal relationship with the Asian Development Bank had so far been unsuccessful. The Organization's extensive network also included IFAD and the Islamic Development Bank.

STRUCTURE OF WORLD INDUSTRIALIZATION FROM THE LONG-TERM PERSPECTIVE (IDB.9/5)

60. Mr. FUKUCHI (Director, Industrial Policy and Perspectives Division), introducing the item, said that in 1990 the General Assembly had adopted resolution S-18/3 on International Economic Cooperation, and resolution 45/199 on the new International Development Strategy for the 1990s, both covering broadly all major issues related to economic and social development. However, resolution 45/196, focusing narrowly on industrialization, had called on Member States and the United Nations system to promote the diversification and modernization of productive activities in developing countries. UNIDO had been asked to make recommendations to the General Assembly in accordance with those objectives, and had responded with the 15 recommendations contained in document IDB.9/12. At the forty-sixth session of the General Assembly, those recommendations had been noted with appreciation, as had been the recommendation for a study of world industrialization from a long-term perspective.

61. Such a study conducted by the UNIDO Secretariat for the General Assembly would require resources provided by the General Assembly. The Fifth Committee of the General Assembly would thus have to address the funding requirement of about $2.2 million. The issues identified in the outline of the study contained in the annex to document IDB.9/5 reflected in a preliminary fashion the divergent views expressed when those issues had been discussed at the eighteenth special session and the forty-fifth regular session of the General Assembly in 1990. If the Board agreed that such a study was worth while and should be undertaken, it should recommend that funding should be sought for it from the General Assembly. It would not be a UNIDO project as such, but one initiated by the General Assembly and implemented by UNIDO.

62. Every year his Division's Global Issues and Policy Analysis Branch wrote the Global Report, recruiting outside consultants only for sectoral surveys. Its staff had nevertheless fallen from 18 to seven members in just five years. It had the skills and capacity to execute the project, but would have to acquire additional resources in order to collect information and opinions for case studies and to finance cooperation with national and subregional research organizations. If the project was successfully implemented, it would constitute an important example of cooperation between United Nations Headquarters and the specialized agencies in the implementation of projects. Over the past ten years, industrialization had not always received due recognition as an important feature of development strategy. However, General Assembly resolution 45/196 had been a turning point in that regard. The project under consideration would further contribute to that positive trend and greatly facilitate UNIDO's activities in the future.

63. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, said that the task of producing a study as ambitious in scope as the one proposed was so complex as to be well-nigh impossible. Furthermore, he noted that the General Assembly, although duly informed of the initial cost estimate of the study and of the envisaged sources of funding, had chosen not to give any indications on that important matter. The members of the European Community therefore considered that UNIDO should not undertake a study of such amplitude, which would heavily tax its resources, in addition to requiring additional funding at present conservatively estimated at

about $2.2 million. It was not clear whether anything new would emerge from the study, but it would certainly be expensive, and UNIDO would be unable to pay for it. That having been said, he did not rule out the possibility of carrying out a qualitative analysis of the major trends in the 1990s in the area of global industrial development. Such an analysis could perhaps be included as a separate chapter in the Global Report, provided that its inclusion imposed no extra burden on UNIDO's regular budget.

64. Mr. NDIAYE (Senegal) stressed the importance of the proposed study to Africa. The matter had recently been discussed at the tenth session of the Conference of African Ministers of Industry. Having regard to the implications of the study for the programming of short- and medium-term activities in Africa and for the redistribution of world industrial production, the Bureau of the Conference had requested, first, that adequate resources should be allocated for the purpose and that particular attention should be accorded in the study to Africa; secondly, that where equal skills were available, African experts should be used to conduct the study in Africa; and thirdly, that it should be completed before 1995.

65. Mr. PERMANAND (Trinidad and Tobago) said that the focus of the study was the relationship between long-term industrial development and the bases for such development, such as human resources and international resource flows, as well as the critical role of technology. To the list of factors contained in document IDB.9/5 should be added the role of the private sector, cooperation with the international financial institutions and the special problems of the least-developed countries. Given the major changes currently taking place in international relations, the study would also provide an opportunity to take stock of the new situation in the world. With regard to its funding, the Secretariat had identified various potential sources, including the Fifth Committee of the General Assembly. His delegation agreed with those proposals, but considered that funding should be on the basis of voluntary contributions.

66. The study had the potential to provide a map for the developing countries, which would assist them in the diversification and modernization of their industrial activities, so that their contribution to world output would cease to be as negligible as was currently the case. It would also indicate how far UNIDO had succeeded in its aim of promoting the industrialization of the developing countries. It would be interesting to know, for example, how much the developing countries' share of total world industrial production had grown over the past 25 years and how far, if at all, UNIDO had contributed to that growth.

67. Mr. KRISHNAN (India) said that one fundamental question was whether UNIDO was in fact the most appropriate agency to undertake a study of such magnitude. However, before that issue was considered, an even more fundamental question was the funding of the proposed study. Since the General Assembly wished UNIDO to undertake the study, the Organization should first ascertain whether the General Assembly was prepared to provide the necessary funds.

68. Mr. BAKSHI (Pakistan) said that his delegation supported the proposal to undertake a study on the structure of world industrialization from the long-term perspective. In response to the argument that by the time the study was completed the economic scene would have changed beyond recognition, thereby rendering the study almost academic, he would say that any economic study had to deal with parameters that were constantly changing. His delegation believed that the proposed study would be a worthy response to the changes taking place in the world. It went without saying that it would have to address the question of why economic success was apparently so easily achieved by some, yet elusive for others. In his delegation's view, $2.2 million was not too high a price to pay, in order to be better equipped to face the uncertainties of the future.

The meeting rose at 1 p.m.

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Ninth session

SUMMARY RECORD OF THE 6th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 20 May 1992, at 3 p.m.

President: Mr. CSERVENY (Hungary)

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The meeting was called to order at 3.20 p.m.

STRUCTURE OF WORLD INDUSTRIALIZATION FROM THE LONG-TERM PERSPECTIVE (continued) (IDB.9/5)

1. Mr. ANGUIANO (Mexico) said that UNIDO was undergoing a serious financial crisis. Instead of concentrating attention on such an ambitious and costly study as the one proposed by the Director-General, it should devote its limited resources to pursuing its programmes and projects in the light of the ample knowledge available about the problems which developing countries faced in industrialization. It would be difficult to finance the study, and also inappropriate to ask the United Nations to do so when the Organization was still indebted to it under the interest-free loan of $16 million which it had contracted. The study should be postponed and redefined. The world situation was changing so rapidly that what UNIDO needed was not a long-term study but the ability to respond to change immediately. Special attention should be paid to the needs of Africa and the least developed countries. The objectives of the Lima Declaration were still valid and far from achievement; they were long-term objectives which should be pursued by means of short-term action-oriented decisions.

2. Mr. OCHOA (Venezuela) said his delegation had doubts about the study proposed by the Director-General. The Board had not considered the idea in detail at the previous session. His delegation took the view that the financial difficulties facing UNIDO and other international organizations would make the financing of the study problematic. Moreover, the study would take 30 months to complete and would not receive final consideration by the United Nations General Assembly until its fifty-first session, by which time its conclusions might be invalid. In any case, the range of issues the study would cover was too broad.

3. Mr. BRAGA (Brazil) thought that a study in depth of the prospects for world industrialization would greatly assist the formulation and evaluation of programmes and projects designed to promote industrialization in the developing countries. However, the technological revolution of the 1970s had not yet been fully digested, profound changes were taking place in many parts of the world and, last but not least, the proposed study might cost over $2 million. For an impoverished organization like the United Nations, let alone UNIDO, the idea seemed too ambitious. His delegation therefore took the view that UNIDO should postpone the study, and any request to the United Nations to finance it, until world technological and political trends became clearer.

4. Ms. CONSTANTINO (Observer for the Philippines) said that the Third United Nations Development Decade had concluded with minimal progress: poverty, unemployment and external debt

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in the developing countries had grown, the technological gap between the developed countries and the developing countries had widened and overall growth in the latter had been less than in the 1960s and 1970s. The Fourth United Nations Development Decade should reverse those processes and bring the developing countries closer to the attainment of the Lima target. Speaking on behalf of the member States of the Association of South-East Asian Nations (ASEAN), her delegation welcomed the action taken by the United Nations General Assembly to address those concerns in resolutions 45/199 and 45/196, which dealt respectively with the programme of action for the Fourth Development Decade and the industrialization of the developing countries. The members of ASEAN commended UNIDO for its response to the latter resolution and believed that the Organization should devote serious attention to the study proposed by the Director-General. ASEAN endorsed the basic framework of the proposal and hoped that the study would focus on action-oriented measures, and in particular on strategies that developing countries could implement according to their different needs. The study should be seen as a means of making an early and positive contribution to the success of the Fourth Development Decade and as an aid to the task of planning UNIDO's future work.

5. Mr. KIM (Republic of Korea) said that the international development cooperation component of the programme for the Fourth United Nations Development Decade should be strengthened. The unprecedented political and economic changes in the world left many countries unable to take advantage of existing methods of industrialization. His delegation therefore believed strongly in the need for a comprehensive study of a number of crucial industrialization and development issues, such as special problems of industrial development in the least developed countries, the importance of the role of the private sector, and the development and transfer of technology. It felt confident that an extensive study of long-term world industrial structure along those lines could be implemented successfully by UNIDO in cooperation with other United Nations agencies. It believed that the study should concentrate on the main elements of the production system in various countries. The Member States of the Asian group had considered the project and reached the conclusion that the study should avoid topics previously studied by UNIDO, be completed within about 18 months and result in recommendations for implementable measures. The Board should recommend endorsement by the General Assembly of the implementation of the proposed study, the funds for which should come from voluntary contributions and other extrabudgetary resources.

6. Ms. KIMBLE (United States of America) said that the proposal for a study on the structure of world industrialization from the long-term perspective might seem attractive, but the work envisaged by the Director-General was very detailed and the final product might have little practical relevance. Her delegation was concerned that devoting scarce resources to such an ambitious study might mean neglecting more immediate issues. The discussion of UNIDO's financial situation had made it clear that the Organization would continue to face a very difficult financial future. Good sense therefore dictated that it should husband its resources and concentrate on its core activities; that meant restraint and prioritization. The proposed study was not at present a priority and staff resources could be better employed in other areas. Moreover, any such study of the structure of world industrialization would be of limited practical consequence for Member States unless it was explicitly linked to the future mandate of UNIDO.

7. Mr. SKRIPKA (Russian Federation) expressed his country's support for the basic orientation of the Director-General's proposal, approved by the General Assembly at its forty-sixth session, for a study on the structure of world industrialization from the long-term perspective as a contribution to the overall assessment of and needs for industrial development in developing countries. Such a study was particularly timely in view of the changes that had taken place in world economic relations since the publication of a similar UNIDO report in 1985. Implementation of the proposal would give countries, especially developing countries, an opportunity to plan their economic, scientific and technical development in the best possible way, and would help UNIDO to find its niche in international economic and technical cooperation at a time when there were changes in the relations between UNDP, the specialized agencies and Governments in regard to technical assistance projects.

8. The Russian Federation also supported the views expressed in the Second Committee of the General Assembly regarding the need for the study to cover problems of industrial development in the least developed countries, the importance of the role of the private sector, the development and transfer of technology, the conversion of military industries, ecologically sustainable development, cooperation with international financial institutions and institutional requirements for industrial development (see document IDB.9/5, para. 5). The role of government in industrial development should be studied, in particular with regard to decentralized economic management, privatization, macroeconomic stability, the development of small and medium-sized enterprises, new forms of economic cooperation and relations with non-governmental institutions.

9. Regarding the preliminary list of topics to be addressed in the proposed study (IDB.9/5, annex, chap. II), it was not enough to consider the political transformation in Eastern Europe in relation to the impact on developing countries; attention should also be paid to the process of economic reform in Eastern Europe. His delegation proposed inclusion of the question of the conversion of military industries, which could have a substantial impact on the pace and qualitative level of economic and technological development in the world. It should be carried out through regular follow-up and analysis of current trends in world industrial production and through information provided by Member States.

10. Mr. DJAIMIKO (Indonesia) said that the trend towards a global economy meant a prospect of rapidly expanding internationalization of production, employment and services. A comprehensive review of the changing world industrial structure would identify processes that might lead to the establishment of a new structure; it could help countries in their economic policy choices and assist in the reduction of the present disparities in industrialization and in the proper management of market forces. His delegation therefore approved the Director-General's proposal. The study might be financed from the United Nations regular budget, from UNDP funds, from voluntary contributions by Member States or from a combination of sources. His delegation supported the statement made by the representative of the Philippines on behalf of the members of ASEAN.

11. Mr. KUME (Japan) supported the study proposal. When completed, the study would offer useful guidance to policy makers of developing countries. It would also be a valuable tool in furthering three major functions of UNIDO: normative activities, policy support and consultancy. His delegation attached importance to an area or regional focus, and the study would certainly include recommendations for specific countries or regions. Analytical studies were a help towards formulating strategic plans which ensured that technical cooperation projects had a collective rather than a piecemeal impact on development. It should be left to the United Nations and UNIDO to decide between them how the study should be financed. If UNIDO had to bear some of the cost, he suggested that it should be met solely from voluntary contributions, although his delegation believed that in principle basic studies by UNIDO should be financed from the regular budget.

ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES (IDB.9/11; IDB.9/CRP.6)

12. Mr. TANDON (Director, Area Programmes Division) said that chapter I of the Director-General's report on the item (IDB.9/11) dealt with the implementation of Board decision IDB.8/Dec.5, which had called for action to strengthen economic and technical cooperation among developing countries (ECDC/TCDC). The chapter covered the use of experts from developing countries, the utilization of the operational budget for ECDC/TCDC work, the enhancement of promotional and operational activities and the development of an information base.

13. Chapter II reviewed the 13 years of implementation of the 1978 Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries. That process had included various activities designed to strengthen developing countries' capacities for technical cooperation among themselves. The report brought out the point that ECDC/TCDC was an underlying principle of the work of various departments of the Organization. Expenditure on it was therefore difficult to quantify in terms of budgetary allocations.

14. UNIDO had faced constraints in the area of technical cooperation among developing countries (TCDC); broadly, they were those identified by a Group of Governmental Experts that had reported in 1990 (see document DP/1990/77, annex, paras. 10-33). The UNIDO-wide programme based on the framework for ECDC/TCDC in the 1990s approved by the General Conference at its fourth session was the basis of the ECDC/TCDC component of the revised medium-term plan to be considered by the Programme and Budget Committee at its eighth session.

15. Document IDB.9/CRP.6 summarized the report on the evaluation of UNIDO's ECDC/TCDC activities prepared in response to Board decision IDB.5/Dec.12.

16. Mr. NDIAYE (Senegal) said that his country believed strongly in the need for economic cooperation and integration among African countries. They were essential processes for the development and transformation of African economies and for reducing the handicaps which continued to affect a large number of small countries. The evaluation of the programme of the first Industrial Development Decade for Africa had shown that African countries, taken individually, had a limited capacity for creating a sound industrial base. Their economic integration would therefore be an important factor in the industrialization of the continent. And the creation of a well-integrated industrial base would help their economic integration. In view of the vital need for cooperation, the establishment of the African Iron and Steel Association was to be welcomed. In conclusion, UNIDO's support would be indispensable in formulating the elements of the protocol on industries to the Treaty Establishing the African Economic Community.

17. Mr. KAMEL (Turkey) said that, with the Chair's permission, he would refer to agenda items 8 ("System of Consultations") and 9 ("Development and transfer of technology") as well as item 7.

18. The dramatic changes that had been taking place in the field of technology had made UNIDO's task an even more formidable one. The Organization now had to monitor technological developments, give advice on the most suitable technologies, provide training on new technologies, and help Governments and enterprises in the developing countries to negotiate the best terms for technology transfer. In that connection, the guidelines for Build-Operate-Transfer (BOT) which the Secretariat was now considering would be most useful. Since 1976, Turkey had been making use of the practice known as Transfer Of Know-how through Expatriate Nationals (TOKTEN), by which some 530 expatriate professionals, mostly from the engineering sector, had brought back their expertise to help Turkey's development and industrialization efforts; the programme had also helped to promote direct project assistance.

19. Turkey also set much store by the System of Consultations as a vehicle for promoting the exchange and transfer of experience, and cooperation in the design and manufacture of equipment, machinery and spare parts. However, there had been a lessening of interest on the part of Turkish institutions. Ways should perhaps be sought of reactivating the interest of Member States, for example by orienting Consultations towards investment promotion.

20. As in previous years, Turkey was organizing ECDC/TCDC in-plant group training programmes in a variety of fields, and to meet increasing interest on the part of developing countries the Government of Turkey had recently decided to set up an independent interministerial body to administer a technical assistance programme.

21. The Turkish economy, although still struggling with inflation, had achieved great success in the past decade thanks to liberalization and privatization measures. It was now a model for many countries, including those in the Commonwealth of Independent States (CIS). Turkey had launched a substantial cooperation programme to share its experience with CIS countries as with many developing countries. At a recent meeting at Ashkhabad, Turkmenistan, representatives of four Central Asian Republics and of the Islamic Republic of Iran, Pakistan and Turkey had agreed on the promotion of technical, economic and commercial cooperation, small- and medium-scale industries, communications and transport. UNIDO could no doubt be of assistance to those countries in developing joint projects and programmes.

22. Turkey had also pioneered the Black Sea Cooperation Zone Project, in order to initiate economic and technical cooperation among the countries bordering the Black Sea and those in the

Balkans. UNIDO's expertise and assistance would be appreciated in connection with joint projects to be promoted under that scheme.

23. Mr. KRISHNAN (India) congratulated the Organization on having achieved a share of 29 per cent for the developing countries in the total number of experts and consultants appointed by UNIDO, compared with the 25 per cent target referred to in decision IDB.8/Dec.5. He noted also that 25.4 per cent of orders for equipment and supplies for technical cooperation projects had been placed with developing countries; that achievement should be maintained and improved upon. However, considerable improvement was needed in the area of new contracts for technical cooperation projects, only 16.4 per cent of the total value of which had been awarded to contractors in developing countries.

24. He welcomed the increase in enterprise-level cooperation in general as well as in a number of specific sectors, and the efforts made to strengthen developing countries' capacities for TCDC, in line with the Buenos Aires Plan of Action.

25. India attached great importance to economic cooperation, and wished to be kept regularly informed on the use of the general-purpose contribution to the Industrial Development Fund (IDF), so that it could justify to itself the continued approval of one quarter of its entire IDF contributions to the general-purpose convertible pool. India called on all countries substantially to increase funds allocated to ECDC/TCDC activities in their IDF contributions so as to enable the Fund to reach the figure of $50 million.

26. Mr. DJATMIKO (Indonesia) said he was pleased to note that during 1991 UNIDO had carried out a large number of activities to promote ECDC and to contribute towards implementation of the Buenos Aires Plan of Action, and hoped that the upward trend in the share of developing countries in orders for equipment and supplies for technical cooperation projects would be continued. It was important that alternative mechanisms and approaches should be found to provide a higher proportion of funds for delivering programmes in the area of economic cooperation among developing countries (ECDC). South-South cooperation was important to the developing countries not merely to reduce economic dependence on the North but also to impart vitality to their own countries' economies.

27. Although the prime responsibility for ECDC/TCDC lay with the developing countries themselves, the active role of UNIDO and other agencies, and the developed countries as well, was still much needed. UNIDO should not only continue but increase its ECDC activities in order to alleviate poverty and improve living conditions in the developing countries.

28. Referring to agenda item 8 ("System of Consultations") and to the programme of Consultations for the biennium 1994-1995, he expressed agreement with the Director-General's proposal contained in document IDB.9/2. Moreover, he wished to propose that the Consultations should be synchronized and combined with any UNIDO investment forum planned for the region concerned. The Director-General should submit a specific proposal on combining the regional Consultations planned for 1994 and 1995 with investment forums for consideration by the Board at its tenth session.

29. With regard to agenda item 9 ("Development and transfer of technology"), he said that Indonesia assigned high priority to the development and transfer of technology, and considered that the efforts of the industrialized countries to ensure the protection of intellectual property rights should be geared to facilitating rather than hampering the transfer of technology from the developed to the developing countries. The Secretariat's support programme in that regard was acceptable to his delegation.

30. With regard to the Industrial and Technological Information Bank (INTIB) project, Indonesia was grateful for all the benefits it had received from UNIDO through the project. Indonesia proposed: that there should be a continuous exchange of information for the benefit of small- and medium-scale industries; that business cooperative networks should be developed; that training and workshops should be provided in the field of documentation, library management and technology, database science, etc.; and that an INTIB national focal point or regional network should be established.

31. Mr. EBRAHIMI KHORAMABADI (Islamic Republic of Iran) said that in order to fulfil the objectives of the Buenos Aires Plan of Action, UNIDO must enhance its efforts further. Promoting and increasing technical cooperation among developing countries and between developed and developing countries would be the main instruments in narrowing the technological gap between North and South. The Islamic Republic of Iran had supported UNIDO's ECDC/TCDC activities by holding specialized management and training courses, conferences and symposia, and could play an even greater role in UNIDO's technical cooperation activities with developing countries. During the Director-General's recent visit to Teheran, the possibility had been discussed of joint cooperation in the provision of technical and industrial assistance to the former USSR Republics neighbouring the Caspian Sea, as well as Afghanistan. The Islamic Republic of Iran was already arranging a number of technical training programmes for those countries, and hoped that they could be extended to other aspects of industrial development, with the cooperation of UNIDO. The Economic Cooperation Organization could be an appropriate channel for the provision of technical assistance to the countries concerned.

32. The information given in paragraphs 4-6 of document IDB.9/11 regarding the use of experts, services and equipment from developing countries was welcome; UNIDO should continue its efforts to increase the developing countries' share in the total value of equipment orders and contracts awarded. The Organization should maintain and enhance its efforts in the areas of promotional and operational activities, increasing the capacities of developing countries in training, expertise and technology, and cooperation with regional commissions. As far as implementation of the Buenos Aires Plan of Action was concerned, important work had been done, but the main problem in promoting TCDC activities was still the shortage of financial resources. In spite of the appeal made in past Board decisions and in resolution GC.4/Res.11 for a substantial increase in percentage and real terms in the funds allocated in the operational budget for ECDC/TCDC activities, that had not happened.

33. His delegation requested the Secretariat to continue efforts to programme a higher proportion of funds to ECDC/TCDC activities in the

operational budget. It also supported the idea that the Secretariat, in its continuous efforts to seek additional extrabudgetary resources for ECDC activities, should undertake specific negotiations with IDF donors with a view to increasing the financing of ECDC/TCDC activities through IDF.

34. Ms. KIMBLE (United States of America) said that ECDC should be a prominent part of UNIDO's strategy and programmes. The trend in recent years towards the increased use of personnel, equipment and supplies from developing countries in technical assistance should be encouraged and supported by the Secretariat and Member States.

35. With so many countries moving from central planning to market economies, there were growing opportunities for developing countries to use the expertise they had gained from their own development for the benefit of other developing countries. Many countries which had succeeded in applying the technical assistance offered through UNIDO were now in a position to share their knowledge and resources with other countries which had begun the process of development later, and that sharing process would be to the mutual benefit of both parties. The countries of Latin America were well on the way to privatization, and the lessons they had learned were potentially extremely valuable to countries in Eastern Europe. There were many other, as yet untapped resources and unrecognized opportunities within the concept of ECDC. Its potential benefits were not confined within regions; beneficial partnerships among Member States would almost certainly continue to grow.

36. As UNIDO succeeded in its mission, the distinction between developed and developing countries would inevitably fade and disappear. Many developing countries already had thriving industries which exported products to many of the world's markets, and as those industries continued to grow, as genuinely integral parts of their domestic economies, they would lift other internal economic activities and improve the material lives of their citizens. As UNIDO succeeded, the importance of ECDC would grow. The successful developing countries could and would act as "development engines" for those that were behind them in development.

37. In 1990, the Group of Governmental Experts had reported (see document DP/1990/77) that, in addition to financial constraints, ECDC was limited by insufficient awareness of its potential and insufficiently active attitudes towards its use. Those constraints were factors which Member States could help UNIDO to change: they could increase awareness of the growing potential of ECDC and encourage a more positive attitude towards its use. UNIDO and the Member States should be encouraged to continue the improvement in the Organization's use of ECDC in technical assistance activities.

38. Mr. WANG Zhixi (China) said that his country had always attached great importance to ECDC/TCDC, and had actively participated in UNIDO's ECDC/TCDC activities. The Government of China made an annual contribution to IDF of nearly $500,000 earmarked for ECDC/TCDC activities, and set aside from its UNDP indicative planning figure (IPF) several million dollars to be devoted to South-South cooperation. China had also used bilateral channels to provide developing countries with equipment, and had received technical and managerial personnel from other developing countries for training. China had cooperated with the UNIDO Secretariat in the holding of training courses and seminars and the provision of expert services.

39. During decades of economic construction, China had developed a large number of technologies, processes and equipment, and accumulated rich managerial experience. Much of it had unique features, but was appropriate to a large number of developing countries. China was ready to share its technologies and experience with such countries on a basis of mutual benefit and equality, while also being interested in their technologies and advanced managerial experience.

40. The regular budget allocation for ECDC in 1992-1993 fell far short of what was needed. China hoped that the Secretariat would continue to try to raise funds for the ECDC programme, and that ECDC/TCDC would be oriented towards specific results, in particular towards helping developing countries solve their own problems. The focus should be on projects with a potential for leading to other, bigger projects. Funds provided for ECDC/TCDC activities could promote forms of cooperation such as joint ventures and licensing arrangements. Efficiency should be aimed at, and there should be a regular evaluation of the results achieved by the programme.

41. Referring to agenda item 9 ("Development and transfer of technology"), he said that UNIDO had done much to promote the development and transfer of technology. Efforts should continue to improve the form and content of technology transfer activities. Training activities aimed at helping to improve the negotiating capacity of developing countries were to be welcomed. The developed countries should make advanced science and technology available to the developing countries on the basis of mutual benefit and equality. Scientific and technological cooperation between the developing countries themselves was also an important element in South-South cooperation; as a developing country, China needed advanced technology from other countries, while being ready to share its own scientific and technological achievements with all other countries. He agreed with the view that the costs involved in the transfer of science and technology to the developing countries should be reduced to a minimum and that the terms of trade for their exports should be improved.

42. Mr. POPESCU (Romania) said that UNIDO had undertaken many projects aimed at strengthening ECDC/TCDC. His Government would continue to cooperate with other developing countries in those fields. With regard to the use of equipment from developing countries in UNIDO programmes, he was confident that the situation would improve and that many more orders would be placed with those countries' manufacturers and vendors.

43. His delegation considered that ECDC/TCDC called for thorough analysis, consultations and further discussions in order to arrive at final conclusions and recommendations, the main aim being to strengthen and enlarge UNIDO's activities in that important area. There should be an in-depth discussion, at the next session of the Board, of the summary of the report on the evaluation of ECDC/TCDC activities of UNIDO (IDB.9/CRP.6).

44. Mr. ASHRI (Saudi Arabia) said that the role of UNIDO in promoting TCDC was well known. Efforts must be made to overcome the constraints identified by the Group of Governmental Experts on

the rules, regulations and procedures of the organizations of the United Nations development system concerning TCDC, and costraints on the funding of TCDC programmes and projects. UNIDO should endeavour to strike a balance between the aspirations of the developing countries and the interests of the industrial countries, which played a major role in industrial development, particularly with regard to the transfer of advanced technologies.

45. Mr. BARRY (Republic of Guinea), speaking on agenda items 7, 8, 9 and 10, expressed his thanks to the Director-General and the entire Secretariat for the quality of UNIDO's cooperation activities with developing countries, which were significantly contributing to their industrial development. Cooperation with Guinea had included the organization in December 1989 of a Solidarity Ministerial Meeting within the framework of economic cooperation among developing countries, which had enabled fruitful relations to be established with investors from other developing countries in connection with industrial projects, some of which were already being executed.

46. With regard to the System of Consultations, a Workshop on Maintenance Management in the Industrial Sector held at Conakry from 15 to 17 October 1991 had bought together high-level experts from a number of African countries. The implementation of the recommendations stemming from that Workshop would undoubtedly enable the necessary changes to be brought about in the approach to maintenance activities in the industries of the countries concerned.

47. UNIDO had also provided valuable assistance in the preparation of a master plan for the industrialization of Guinea, which his Government was currently taking steps to implement.

48. His country was pursuing a very bold policy of economic reforms involving, in the manufacturing sector, the restructuring of existing enterprises and the promotion of private initiative. UNIDO's cooperation in the implementation of that policy would be appreciated.

49. Mr. TANDON (Director, Area Programmes Division), responding to the debate, said that there were two interpretations for the term "operational budget". In one sense, it referred to support cost income. In that sense, the Organization could not programme the budget, as it was exclusively dedicated to support activities for technical cooperation. That went both for income from UNDP-financed technical cooperation, where under the successor arrangements income had to be spent on specific services (TSS1, TSS2 and AOS type activities), and for other support cost income, in accordance with the report endorsed by the governing bodies. In the second sense, the operational budget included all project expenditures. Project funds could not be freely programmed by UNIDO. For UNDP IPFs, the recipient Governments and UNDP programmed the funds. For IDF, virtually all funds were special-purpose contributions. For trust funds the donor (or recipient) decided on funds. In conclusion, it was not possible for the Organization to programme its operational budget. It might be added that, at any rate, ECDC activities of UNIDO financed by project funds were not shown in the Programme and Budgets. It was therefore not possible to state that actual expenditure on ECDC activities in that category had increased or decreased.

DEVELOPMENT AND TRANSFER OF TECHNOLOGY (IDB.9/6, IDB.9/10)

50. Mr. SCHEPISI (Italy) said that his delegation had noted with satisfaction the efforts made by UNIDO in implementing programmes focusing on the transfer of technology, as described in the 1991 annual report (IDB.9/10), and wished to reiterate the importance that it attached to that subject. With regard to the International Centre for Genetic Engineering and Biotechnology (ICGEB), it had been decided, in principle, that the statutes for its establishment as an autonomous international organization should come into force at the commencement of the coming year, and $55 million had already been committed for activities until June 1995. Following its separation from UNIDO, ICGEB's task would be to fulfil its original mandate and become a centre of excellence for research and training addressing the needs of the developing world. His delegation was, however, convinced that UNIDO would continue to play an important role in the Centre's operations and that strong links would be maintained between the two institutions.

51. The Centre's training and research activities, focusing on technologies that could be effective in solving problems in the fields of health, nutrition, industrial development, environmental protection and energy production, were concrete examples of the many ways in which technology transfer, coupled with the development of human resources and the necessary support to small- and medium-scale industries, could contribute to sustainable development. He wished to commend UNIDO for its efforts in establishing the Centre and expressed the hope that the entry into force of the statutes would encourage many other countries to join those Member States that were already contributing their efforts.

52. Turning to another UNIDO project in the same sector, the Trieste International Centre for Science and High Technology (ICS), which operated a training programme for scientists and engineers from developing countries, he said that, in the period from 1988 to 1992, ICS had organized 53 training courses, in which many researchers from the countries of Central Europe and the former Soviet Union had also participated. A draft headquarters agreement and an institutional framework for ICS had been prepared by UNIDO following discussions with the Italian authorities and the draft agreement was currently under consideration by his Government. He was confident that ICS would be able to evolve from a pilot project into a more stable operational phase and fully implement its activities.

53. Mr. GUMEN (Russian Federation) welcomed the Secretariat's work in the development and transfer of technology, especially the operation of INTIB, the users of which included small and medium-scale enterprises. There was scope for improving the system for exchanging technological information along supply and demand lines, which would be a valuable form of cooperation among developing countries. He also endorsed the extension of the network of national industrial and technological data banks, in order to provide ready access to computerized resources. Another important aspect of technology transfer lay in assisting developing countries to hold consultations and purchase licences. He welcomed the work being done to set up international centres for advanced technology, a mutually beneficial form of cooperation among

Member States of UNIDO. In view of the present financial constraints, international efforts should be focused on solving complex technological problems. Russian scientists and engineers were making their own contribution to UNIDO's technology programme, including the establishment of an engineering centre and the organization of a seminar on the use of modern information and the exchange of technological information. Information was being disseminated about technologies applied in Russian enterprises undergoing conversion; new materials developed in the course of space studies were being made known; and contacts had been promoted between Russian industry and third country partners, including developing countries, with a view to applying to industry the findings of scientific research. Russian industry and science offered considerable potential, especially now that an ambitious programme to convert the military industries was under way. He hoped that UNIDO would provide skilled help to enterprises in other countries which were planning similar programmes. Further effort was needed to transfer Russian technologies to the markets of third countries, and the UNIDO Centre in Moscow would play an important role in that respect. Through its agency, a number of joint enterprises had already been launched, based on both domestic and foreign technologies.

54. With a view to enhancing the effectiveness of UNIDO's work in technology transfer, the Director-General should draw up an evaluation report on the Organization's past work in that field and its future prospects. Returning to the list of technologies contained in paragraph 19 of document IDB.9/6, he asked which of them had been developed by staff of UNIDO, and how they had been financed. Was UNIDO entitled to sell the technologies concerned; if so, to what item of its budget would the resulting funds be allocated?

55. Mr. EBRAHIMI KHORAMABADI (Islamic Republic of Iran) expressed his appreciation to the Secretariat and the Director-General for the preparation of the comprehensive report on the development and transfer of technology (IDB.9/6). In eight years' time, the world would judge UNIDO by the extent to which it had attained the target set in the Lima Declaration and Plan of Action on Industrial Development and Cooperation. That issue called for very serious consideration by UNIDO, and a status report on the matter should be issued at each session of the Board. New "technological thinking" could assist in the attainment of the Lima target. Use of appropriate technology would allow the prompt execution of developing countries' planned programmes, and bring about savings in manpower, raw materials, operating costs and overheads. The savings could be utilized for new technologies, thus leading to further development and better infrastructures. His delegation hoped that UNIDO would expedite its technology transfer efforts by providing developing countries with up-to-date technological information. UNIDO should assist developing countries in reviewing and restructuring their science and technology policies. Attention should be given to new forms of research and development organization. In cooperation with organizations such as the World Intellectual Property Organization (WIPO), proposals should be worked out for the protection of intellectual property that would encourage mechanisms for technology transfer and the development of domestic technologies.

56. Mr. ANGUIANO (Mexico) said that the development and transfer of technology was an area in which UNIDO had played an important role for the benefit of developing countries. The programme concerned constituted one of the Organization's most successful substantive programmes. The most pressing problems in the technological sector affecting developing countries related to access to up-to-date technologies and the lack of national research structures, and the Organization should assist in the identification of policy guidelines to facilitate the acquisition of proven technologies and promote an autonomous technological research and development process.

57. UNIDO should take account of the fact that the possibility for developing countries to gain adequate access to new technologies, particularly technologies enabling them to renew their productive plant, depended on a more flexible approach than that hitherto demonstrated by enterprises that sold such technologies. UNIDO should also analyse the impact of new mechanisms being used to promote technological innovation in industry, such as compensatory financing and joint investment.

58. It was important that UNIDO should promote technical cooperation projects that, under government supervision, would involve enterprises of developing countries to a greater extent, particularly at the regional and subregional levels. UNIDO should also intensify efforts aimed at providing information in the technological sphere by wider dissemination of the data at its disposal through publications or special courses. In that connection, his delegation believed that UNIDO should fully comply with the request in decision IDB.8/Dec.10 for a comprehensive list to be drawn up of technologies adapted and promoted by the Organization through technical cooperation projects.

59. Finally, it was important that UNIDO's activities in the area of technology transfer should promote the adoption of clean technologies.

60. Mr. AIT HMID (Morocco) said that his delegation, while acknowledging that the transfer of technology was an issue of major importance, wished to stress its great complexity, which arose from the fact that any operation involving transfer of technology to developing countries entailed a number of prerequisites, including the restructuring of industry and the creation of conditions conducive to equitable and healthy competition. Any transfer operation also required an ability to master and adapt the technologies concerned. That entailed substantial training efforts aimed at those involved in the production process, following an analysis of market requirements and the definition of concepts for production and services that would meet those requirements.

61. The adaptation of new technologies called for the implementation of a policy for promoting quality and developing the necessary scientific infrastructure through the creation of technical centres and test and analysis laboratories. In that connection, UNIDO could help developing countries' laboratories to set up a system of mutual recognition with their counterparts in the developed countries.

62. Finally, the development and improvement of a system of industrial property in developing countries could effectively contribute to the dissemination of information on new technologies. However, that could only be achieved through the

establishment of a focal point capable of promoting continuing relations between the various parties involved.

63. Mr. KRISHNAN (India) said that he favoured an integrated approach to the development and transfer of technology; he therefore welcomed the Director-General's proposal to amalgamate the divisions concerned with technology promotion and technology development. UNIDO had a key role to play within the United Nations system in all industry-related matters. An important facet of its activities in the area of transfer of technology should be to strengthen the negotiating capabilities and the research and development activities of the recipient countries, and to help them to commercialize their research and development results. The Technological Information and Exchange System (TIES) and INTIB must be backed up by effective networking; the areas and subjects where technology was available should be identified and the technology offered to developing countries. UNIDO's role in the transfer of technology should be that of an agent of change; its own efficiency must remain unimpaired. Enterprise-to-enterprise cooperation and TCDC activities warranted support from UNIDO in the financial area, through appropriate linkages with financial institutions. The aim must be for UNIDO to offer consultancy services combined with investment promotion, including technology transfer.

64. Mr. PLUG (Netherlands) referred to the statement in paragraph 7 of document IDB.9/6 that UNIDO was considering the possibility of developing an expert system comprising a draft contract generator and a complementary negotiation support system. How would that relate to similar existing activities, such as those carried on in the framework of UNCTAD?

65. Mr. VENKATARAMAN (Director, Industrial Technology Development Division), responding to the debate, announced that, following an expert group meeting held in Caracas in December 1991, the Government of Venezuela had indicated willingness to provide financial support amounting to $3 million over a period of five years for the establishment of a regional centre for marine industrial technology and to enlist the cooperation of national institutions for that purpose. The Bolivar Programme, it had been suggested, could also provide a valuable additional mechanism for furthering the priorities identified by the Caribbean regional centre. The Secretariat would be contacting the Government of Venezuela and undertaking consultations with other interested countries and organizations.

66. Information on technological developments in Russia and China had been fed into INTIB, and a Technology Mart had been held in China. The question of intellectual property rights was really one for WIPO, but the Secretariat would continue to study its bearing on technology transfer. Work had begun on the compilation of an exhaustive list of technologies developed through UNIDO activities. Replying to the question put by the representative of the Russian Federation, he explained that the technologies in question had been developed and adapted through UNIDO's technical cooperation programmes, and were funded by technical cooperation projects. As well as UNIDO staff, those involved in developing them included specialists who were employed by UNIDO to devise adaptations of existing technolgies. The resulting technologies would not necessarily be in the nature of intellectual property; rather, such technical cooperation projects would be replicated in other countries, to enable the latter to benefit from the results of the work.

67. In reply to the question from the representative of the Netherlands concerning the expert system proposed in document IDB.9/6, he said that the idea was to bring together expertise acquired in all institutions, not merely in UNIDO. UNCTAD was not engaged in creating such an expert system.

SYSTEM OF CONSULTATIONS (IDB.9/2 and Corr.1, IDB.9/10, IDB.9/14, IDB.9/15; ID/378, ID/379 and ID/380)

68. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, welcomed the steps already taken in pursuance of the recommendations that had resulted from the evaluation of the System of Consultations, especially the establishment of Advisory Committees representing a cross-section of the Secretariat, and the contacts established with various UNIDO units for the follow-up of the Consultations. He welcomed the proposed reduction of the number of Consultations during the biennium 1994-1995 from eight to six, and the emphasis placed on regional Consultations. The European Community would have liked to see a regional Consultation on the impact of structural adjustment policies on small and medium-scale enterprises, especially in Africa. The topics for global Consultations should be very carefully chosen. The Secretariat should endeavour to select topics closely allied to the Organization's goals, and in areas where UNIDO had special expertise. The topics should be well defined in order to produce specific proposals for industrialization. He was, of course, aware of the financial and administrative constraints hindering the organization of regional Consultations and preventing the Secretariat from entering into direct contact with industrialists in the countries concerned. The Secretariat must endeavour, in the preparations for Consultations, to take into account ongoing technical cooperation programmes. It should set up internal working groups to deal with specific country, regional or sectoral problems; it should link the System of Consultations with investment promotion meetings and industrial exhibitions, and simplify its invitation procedure, in order to enable as many industrialists as possible to attend.

69. Ms. BECKER (United States of America) said that urgent attention must be paid to the System of Consultations in order to determine its relevance and to decide whether the System had lived up to expectations, and whether it continued to match UNIDO's changing priorities. The resources devoted to it should be proportional to the likely results. The underlying concept of the System was to accelerate the process of industrialization by focusing on particular regions, subregions, industrial sectors and subsectors. The intention was to bring together knowledgeable persons from private industry, Government and business, combining their expertise to foster concrete projects and partnerships. Although some technical cooperation projects had resulted from the System, Member States would not continue to invest scarce resources in it unless they had full confidence in it.

70. The Secretariat could make three fundamental improvements: integration, follow-up in the form

of technical assistance, and broader private sector participation. The two former improvements had been recommended in the 1989 evaluation of the System, but had yet to be carried out. In 1991, an evaluation of the investment promotion system, recommending that it be better integrated with other UNIDO programmes, had failed to mention the System of Consultations, a striking omission since the two systems were in the same Department. The recommendation for follow-up assumed that specific projects would be identified. However, the six follow-up activities listed in chapter III of the 1991 annual report (IDB.9/10) were all workshops, panel meetings or Consultations. "Follow-up" should mean technical assistance projects for specific plants and production facilities, rather than additional meetings. If the System of Consultations were an integral part of UNIDO's strategy and programmes, the Consultations would automatically lead to technical assistance programmes.

71. The choice of participants for the Consultations must also be improved. Far too many of them were government officials, rather than private sector businessmen or industrialists. Even in the least developed countries, there were entrepreneurs who were struggling to create economic growth. Governments must identify such people and send them to the Consultations, wherever the latter were held. She was glad to learn that a forthcoming Consultation would have more than 50 per cent private-sector participation; however, that should be a regular feature, to reinforce UNIDO's focus on privatization.

72. Given modern communication systems based on satellite television and fax machines, it might be argued that meetings to focus attention on a specific region were unnecessary. That would be true if the meetings took place far from the region concerned and were attended mainly by government officials, and if their results were unconnected with technical assistance programmes.

73. Mr. EL FENDRI (Tunisia) welcomed the report on the Consultations held in 1991, and the planned technical cooperation activities which were to follow them. Africa, being the least industrialized continent, fully deserved two of the regional Consultations to be held during the 1994-1995 biennium. Because of its valuable contribution in identifying the problems of industrialization in the developing countries, the System must be reinforced. Regional Consultations were more effective when they were held in the relevant regions rather than at UNIDO headquarters, and when they were well attended by representatives of local industry. In May 1993, Tunisia would host a Consultation on building materials, to be organized jointly with an exhibition of building materials in Tunis.

74. Mr. RIHA (Czechoslovakia) said that his country attached great significance to the System of Consultations and to its role in UNIDO's activities, especially in economic cooperation among developing countries and in the Industrial Development Decade for Africa. The System should be given more emphasis and UNIDO's overall performance assessed. The System had become more efficient as a result of the recommendations arising from the evaluation process. However, there was room for more systematic follow-up of the results of Consultations. He agreed that the Consultation should be seen not as an end in itself but as a continuing process leading to the development of sectoral strategies and policies and to agreement on concrete programmes of action (see document IDB.9/14, para. 9).

75. During the Consultations, time should be set aside to enable potential partners from both developed and developing countries to meet and discuss opportunities for cooperation and investment projects. The chairman of the Consultation should be involved in the preparatory meetings; such involvement had been very helpful during the Fourth Consultation on the Capital Goods Industry with Emphasis on Machine Tools, held at Prague in 1991.

76. The planned programme of Consultations for the biennium 1994-1995 was reasonably balanced. He welcomed the emphasis on regional Consultations, which encouraged cooperation among countries. He intended to submit a proposal to the Czechoslovak authorities to hold the Consultation on environmental management and cleaner technologies in the metallurgical industry in Czechoslovakia. His country had a traditional interest in metallurgy, and was now engaged in introducing environment-friendly technologies in that sector.

77. Mr. SALLOUKH (Observer for Lebanon) said that the System of Consultations was a unique forum for ongoing contacts among all those engaged in industrial development. Such contacts would remain a necessity in the 1990s, despite the radical international changes. The demands for North-South and South-South dialogue would be stimulated by the global problems of debt, the environment, the acquisition and transfer of new technologies, and world industrial restructuring, including privatization. The System of Consultations was well suited to fostering industrial progress in developing countries by the definition of major constraints on sectoral development, the formulation of policy options to counteract them and the identification of opportunities for technical assistance, investment promotion and technology transfer. The System also provided valuable information to UNIDO, enabling it to strengthen its programmes by devising strategies for specific subsectors. He therefore welcomed the programme of consultations proposed for the biennium 1994-1995, which was in line with the industrial priorities and aspirations of the developing countries. He also welcomed the forthcoming Regional Consultation on the Petrochemical Industry in the Arab Countries, to be held at Innsbruck in June 1992, although an Arab venue would have been equally appropriate for the meeting. The documentation for the meeting addressed all the key issues related to the development and integration of the industry concerned in the economies of the Arab countries.

78. Mr. AYADI (Observer for Algeria) reiterated his country's support for the System of Consultations. Consultations should not be an end in themselves but part of an ongoing process leading to concrete programmes and projects. He took note of the actions taken to implement the recommendations of the System, in particular the preparation of a plan for technical cooperation follow-up activities for the Consultations held in 1989, 1990 and 1991. However, in view of the potential benefits of the participation of industrial partners in Consultations combined with investment promotion meetings, that matter deserved more thorough discussion. His delegation fully supported the Consultations proposed in

document IDB.9/15 for the biennium 1994-1995, in particular the two proposed for Africa on the building materials industry and the iron and steel industry, which were in response to the needs of those countries. It was no accident that the iron and steel industry had been chosen, since the African Iron and Steel Association had been founded at Algiers in December 1991 as a result of Consultations. Algeria hoped that cooperation would be strengthened within the Secretariat, especially with the Unit responsible for the Second Industrial Development Decade for Africa (IDDA), in preparation for the Consultations, which should be held in an African country and fully integrated in the IDDA process. UNIDO should be able to contribute to the funding of those two meetings.

79. Mr. SZABO (Hungary) said that a good choice of topics for consultations could help in the formulation of sectoral policies in interested countries and in fostering collaboration among potential partners. Representatives of modern, market-based industries would make use of the UNIDO Consultation mechinery. However, the emphasis on regional meetings could be reduced, to strike a balance between global and regional issues. Global discussions should reflect the likely impact on world industrial production of the political and economic changes taking place throughout the world. In a number of industrial sectors, market changes would influence the output and distribution of goods. Another topic worthy of study during the 1994-1995 biennium would be the formulation and development of industrial policies at national level. During the period of transition to a market economy in Central and Eastern Europe, it was sometimes said that State intervention was no longer required; that was absurd, since the process of transition had to be managed. The Hungarian Government was planning a workshop on industrial policies in the economies in transition, to be held in October 1992 under the sponsorship of the United Nations Economic Commission for Europe and the Organization for Economic Cooperation and Development (OECD). He urged that the formulation and development of industry policy should be included among the topics for the programme of Consultations for the biennium 1994-1995.

80. Commenting on paragraph 14 of document IDB.9/14, he called attention to the "spirit of Cartagena" which had prevailed during the last UNCTAD session; matters of policy should always be decided by consensus. Some of the recommendations on trade and industrial policy contained in the report of the Fourth Consultation on the Capital Goods Industry (ID/378, para. 13) were not in conformity with GATT rules.

81. The investment promotion aspect of the Consultations could be enhanced by organizing parallel events. A sectoral Consultation and a sectoral investment promotion meeting could well be held at the same place and time.

82. Mr. GUMEN (Russian Federation) said that the System of Consultations was one of the key areas of the Organization's work, and one which was in accord with the interests of all Member States. His delegation supported the key recommendations resulting from the Consultations held during 1991, and the Secretariat's plans for implementing them. To enhance the effectiveness of the System, he suggested increasing the number of regional and subregional Consultations on specific industrial sectors, and reducing the number of global Consultations. More frequent meetings of international experts should be held on specific economic and technical matters, to elaborate plans for implementing the recommendations of the Consultations. Specialists from the Industrial Investment Division should be invited to take part in the Consultations, in order to assist in the launching of joint projects. The Consultations proposed for the biennium 1994-1995 should cover the following topics: assistance for the formation of small and medium-scale enterprises; the establishment of intersectoral enterprises; the development of market structures; the creation of free economic zones; and methods of attracting foreign investment.

The meeting rose at 6.15 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Ninth session

SUMMARY RECORD OF THE 7th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 21 May 1992, at 10 a.m.

President: Mr. CSERVENY (Hungary)

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The meeting was called to order at 10.20 a.m.

SYSTEM OF CONSULTATIONS (continued) (IDB.9/2 and Corr.1, IDB.9/10, chap. III, paras. 1-13, IDB.9/14, IDB.9/15; ID/378-380)

1. Mr. AKPAN (Organization of African Unity) said that OAU fully supported the proposals contained in document IDB.9/15, especially as regards the regional consultation on the building materials industry in Africa. African countries faced considerable problems in that area, including the underutilization of capacity. Production always seemed to be lower than demand, so that prices were high and the gap had to be bridged through imports. The issues proposed in paragraph 16 for consideration during the consultation were most important, but he wished to suggest that greater emphasis be laid on the development of new and local building materials and that due attention be paid to attitudes, quality and cost-effectiveness. The major problem lay in how to develop the indigenous entrepreneurship required. It would seem appropriate for the regional consultation to propose ways in which investment resources might be mobilized. It would also be useful for UNIDO to identify concrete projects and to invite persons responsible for housing as well as government officials to participate in the consultation. He welcomed the proposed regional consultation on the iron and steel industry in Africa, and especially the offer made by Algeria to act as host.

2. Mr. LATORIUE (Director, System of Consultations Division) said that the first question to which he wished to reply was on the relationship between the System of Consultations and the investment programme. In the past there had often seemed to be little contact between them, but sound cooperative relations and coordination had now been established. Practical modalities for greater interaction between the System of Consultations and the investment programme were currently being examined. The representative of Indonesia had called for a report on the harmonization of activities to be submitted to the Board at its tenth session; he regretted that it would be impossible for that to be done in the time available, but believed that such a report could be submitted at the eleventh or twelfth session.

3. The representative of Hungary had questioned the value of regional meetings. The Board often called for more regional consultations and the

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Secretariat tried to strike a balance between regional and global meetings. Four regional and two global consultations had been proposed for 1994-1995. One of the problems with regional meetings was that they could not always be held in the regions concerned, owing to budgetary constraints. He hoped that the means might be found whereby UNIDO could assist countries to organize meetings concerning them in their own regions.

4. Topics considered in the System of Consultations should, of course, be matters on which UNIDO already had special knowledge. Sometimes, however, it was led to expand its expertise as a result of consultations, as it had done, for example, after organizing consultations on sugar and fisheries. Such activities widened its horizons.

5. As regards the selection of participants, the Secretariat had made considerable efforts to encourage the representatives of the private sector to attend consultations and was beginning to get results. For example, at a consultation being held in Innsbruck next month 70 per cent of the participants came from the private sector. The rules of procedure for the consultations prevented the Secretariat from inviting industrialists directly. Invitations were sent to ministries of foreign affairs, which were responsible for forming delegations. Some ministries contacted their counterparts in industry, but not all of them did so. The Secretariat had included a special paragraph on the desired profile in the correspondence sent out with invitations indicating the type of expertise expected in participants. Its aim was to obtain participants in the consultations with the necessary background who came from Governments, research institutes, trade unions and the private sector.

6. The consensus rule for the adoption of recommendations had been criticized during the debate, but it was part of the rules of procedure and could not be circumvented.

7. A follow-up plan for the consultations had been prepared, indicating what needed to be done by whom in UNIDO, by other agencies and by the Member States concerned.

INDUSTRIAL INVESTMENT PROMOTION (IDB.9/7, IDB.9/10, chap. III, paras. 34-44)

8. The PRESIDENT drew the Board's attention to the introductory statement to the item which had been distributed that morning (IPCT/II).

9. Mr. AKPAN (Organization of African Unity) said that OAU was concerned by the possibility that, for lack of resources, UNIDO might not be able to carry out its investment promotion work beyond the indications given in paragraph 4 of document IDB.9/7. He would welcome clarification of the purport of the last sentence of paragraph 5. He highly commended the orientation of UNIDO's future activities as described in paragraph 7.

10. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, welcomed the measures taken to respond to the evaluation report on UNIDO's industrial investment activities described in document IDB.9/7, but noted that not all the action requested had been taken. He wished to encourage the Secretariat to develop as a matter of urgency clear terms of reference and minimum standards for the selection and assessment of projects, minimum standards for the selection of sponsors and clear terms of reference and minimum standards for the selection of consultants for projects. The Guidelines referred to in paragraph 34 (b) did not include those criteria.

11. He noted the marked growth in the number of requests for assistance that had been received and hoped that due attention was being paid to quality criteria. He would be glad to hear details of actual and potential investment arising from those activities in the form of signed contracts or memoranda of understanding. He welcomed UNIDO's cooperation with international, regional and bilateral financial institutions, but hoped that the Director-General would provide more information on the way in which such cooperation was organized and on its results.

12. Referring to the comprehensive and integrated industrial investment technical cooperation programmes mentioned in paragraph 26, he stressed that UNIDO should concentrate on encouraging small and medium-scale enterprises and on reinforcing the capacity of recipient countries to attract foreign investment. UNIDO's activities should support national initiatives and be closely coordinated with the programmes of other organizations active in the field.

13. The IPS offices could be important instruments for investment promotion, providing a useful network for direct contact with private enterprise. He welcomed the efforts made to improve coordination between those offices and Headquarters, but believed that more needed to be done, and would be interested to learn how the Director-General proposed to strengthen such coordination.

14. Mr. NDIAYE (Senegal) reminded the Board that the General Conference at its fourth session had expressed deep concern about recent trends in the flow of direct foreign investment towards the developing countries and had in particular, by resolution GC.4/Res.17, called for the more effective promotion of such activity. One of the main obstacles to the development of Africa continued to be the dearth of investment resources, and his Government was deeply concerned by the decline in external financing, particularly in the industrial sector. An investment forum was to be held in Dakar in December 1992, preceded by another one organized by the G15 Group in November. His delegation welcomed the improvements which the Director-General intended to introduce in order to increase the effectiveness of the Industrial Investment Division. African Governments wished to give the private sector a greater role in implementing the Second Industrial Development Decade for Africa.

15. Mr. PONCE (Bolivia), referring to the Organization's financial situation, said that while prompt payment of contributions was essential to ensure efficient working, sound management of available resources was of equal importance. As regards the development and transfer of technology, he believed that UNIDO should continue to make efforts to ensure that production was closely associated with the

transfer of technology. He hoped that it would also promote the progressive development of indigenous technology through investment.

16. UNIDO had been set up in 1967 for the purpose of fostering industrial development in the developing countries, but it was an open question whether it was fulfilling its objective. In his country's view, there was an urgent need for the Organization to be restructured. Its concern was not simply with deciding whether there should be three or five deputy directors-general, but went much deeper. UNIDO should set itself to bridge the gap between the rich and poor societies into which the world was at present divided.

17. His country had made sacrifices in facing up to its responsibilities in recent years. It had carried out considerable macroeconomic structural adjustments and achieved one of the lowest inflation rates in Latin America. Investment laws had been enacted, and a clear and simplified tax system set up. There was free conversion of currencies, and there were no restrictions on the repatriation of dividends. There were no limits on the participation of foreign capital in shared-risk operations, and a privatization process had been launched. In addition, Bolivia was a democracy. Bolivia had thus created attractive conditions for foreign investment from the developed world, and it seemed to him that the sacrifices made by his people deserved a positive response from the international community.

18. Referring to document IDB.9/7, and particularly part III - Action required of the Board, subparagraph (b), concerning the need to provide guidance as to the financial resources required to enable the regional investment promotion studies to be undertaken, he said all were aware of UNIDO's current financial crisis and its problems in attracting funds. But it should be taken into account that the positive results achieved by a country such as his own had been achieved against a background of debt servicing that continued to absorb some 30 per cent of the value of its exports, which meant Bolivia could not make the investment required to promote its own industrial development. His Government had planned appropriate mechanisms to deal with its external debt, such as, for example, the "debt for development" approach, which was gradually achieving positive results. Other United Nations bodies, such as UNDCP, were studying the possibility of creating an alternative development fund from the debt burden. UNIDO might usefully look into that possibility with regard to investment promotion.

19. He expressed his country's gratitude to the Organization for arranging national promotional events on eight occasions in 1991. He repeated the request that investment projects might be launched as rapidly as possible in the fields of biotechnology, the agro-industry and others. He expressed his gratitude for the efforts made by the UNIDO training programme on investment to extend its activities to the Andean Pact countries.

20. Mr. BLANCHET (Observer for Argentina) drew attention to the profound structural changes that his Government had introduced to combat inflation, speculation, the high cost of money and the low rate of investment. At the same time, a vast regional grouping - Mercosur - had been set up with Brazil, Paraguay and Uruguay, with encouraging results. Nevertheless, the Argentine economy needed modern industrial plant, and consequently a large influx of capital. The main thrust of economic policy at the present time was to promote industrial investment, productivity, technological innovation, higher quality, training and access to markets.

21. Argentina was particularly interested in strengthening its cooperation with UNIDO through private manufacturing enterprises. Many opportunities for cooperation were available on such matters as in the selection of experts and technologies, training courses, quality and productivity evaluation, sources of financing and joint ventures. Much was expected of the project to establish an investment promotion centre in Buenos Aires, whose purpose was to attract national and foreign investment and to link the local economy with the world economy.

22. In conclusion, he sincerely hoped that UNIDO's financial and structural difficulties would soon be overcome, enabling it to meet the pressing industrial needs of the developing countries.

23. Mr. TADESSE (Ethiopia) said that the success of the industrial investment promotion programme depended directly on the number of projects that were promoted and on the extent to which national capabilities were strengthened. For those purposes, financing was required from such sources as UNDP, bilateral donors, trust funds and development banks.

24. He outlined Ethiopia's economic situation, characterized by low investment levels, which placed a major constraint on growth. The manufacturing sector made only a modest contribution to the national economy. An investment strategy based mainly on large-scale projects coupled with an anti-democratic political leadership and the resultant civil war, as well as drought and natural calamities, had resulted in poor industrial performance.

25. The fundamental requirement for an effective industrial investment promotion programme was the availability of financial resources. Ethiopia, though a least developed country, had a consistent record of settling its obligations to UNIDO on time, which clearly showed its commitment to industrial development. It would pay the 1992 portion of its contribution within the next couple of months, which would, he hoped, encourage other Member States to do the same and settle their arrears. Only when that had been done could there be meaningful talk of industrial development in general and investment promotion in particular.

26. He was pleased to note a steady expansion in the industrial investment promotion programme in 1990-1991 and the marked increase in new requests for assistance. The strategy adopted had continued to emphasize the regional focus, integrated programmes for the mobilization of investment resources, and the development of bankable projects, particularly concerning marketing, and related training.

27. He wished to propose, first, that the implementation of investment projects should involve technology transfer through the acquisition of new equipment, licensing and the training of plant operators in the priority areas of industrial rehabilitation and small- and medium-scale industries. Secondly, assistance

should continue to be provided for the identification and promotion of investment projects for the establishment of new plants and the expansion or rehabilitation of existing ones. Thirdly, appropriate policies should be defined to support industrial infrastructure and services and to strengthen local capabilities, in order to create a healthy investment climate as a means of fostering the economic integration of different regions.

28. Mr. RIHA (Czechoslovakia) pointed out that, as the demand for foreign investment grew, it was of special importance for countries lacking capital resources to be able to prepare viable projects and to find appropriate partners for their implementation. UNIDO's industrial investment programme should provide effective assistance for that purpose, particularly in the case of small- and medium-scale private industries. He therefore highly appreciated such activities as the enterprise-to-enterprise workshop carried out in cooperation with the Spanish bank Banesto for agricultural and food-processing enterprises in Hungary, Romania and his own country.

29. It was gratifying to note that the reorganization of the Industrial Investment Division had resulted in an expansion of the programme. He supported greater integration of pre-investment feasibility studies and investment promotion. Cooperation and coordination between UNIDO and development agencies and international financial institutions, both within and outside the United Nations system, were extremely important.

30. The investment forums organized in cooperation with UNIDO required careful preparation and dynamic follow-up. One such forum held in his country in November 1991 had generated a number of interesting projects and attracted strong interest from foreign partners. He looked forward to further assistance from UNIDO for the follow-up.

31. In conclusion, he called for a special effort to secure extrabudgetary resources to finance regional investment promotion studies.

32. Mr. BAKSHI (Pakistan) observed that the developing countries were currently giving very high priority to investment promotion. The basic problem was that, while most of them had liberalized their investment laws and regimes, not enough investment funds were available. Moreover, out of the global supply, an enormous amount was being diverted to those countries and regions which were trying to convert their economies from centrally-planned to free-market systems. Although, strictly speaking, most of those countries should not be classified as developing, they were nevertheless competing for the funds available. The developing world therefore justifiably expected UNIDO to safeguard its interests.

33. While the final act of investment was up to the investor concerned, the process of bringing a potential investor closer to an investment opportunity remained crucial. As in so many other spheres, UNIDO had a catalytic role to play in that respect. He supported the proposal to undertake a study of regional investment promotion, analysing its impact on regional economic integration and development. At the same time, developing countries should be helped to generate investment funds from within their own economies. Suitable strategies could be developed for that purpose by studying the success achieved by some developing countries.

34. Mr. YOGASARA (Indonesia), speaking on behalf of the member countries of the Association of South-East Asian Nations represented on the Board - Indonesia, Malaysia, the Philippines and Thailand - said that, in accordance with decision IDB.8/Dec.33, the Director-General should examine the possibility of combining single consultations with investment promotion meetings and of increasing the participation of industrial partners in consultations. From documents IDB.9/7 and IDB.9/15, however, there seemed to be no linkage between investment promotion activities and the consultations programme, so coordination between the divisions concerned should be strengthened. Every regional consultation meeting should be followed up and linked to regional industrial investment forums relating to the same sectors. Thus, the proposed consultations for 1994-1995 should be combined with investment forums in Africa, Asia and the Pacific and in Latin America and the Caribbean on building materials, the leather and leather products industry, downstream petrochemical industries and so on. When preparing consultation programmes and identifying and promoting industrial investment opportunities, UNIDO should aim at the establishment of joint ventures between developing countries in the regions concerned.

35. Mr. SZABO (Hungary) said it was gratifying to note the results of the activities of the Industrial Investment Division and the opening of several new IPS offices, whose costs would be borne by the host countries. UNIDO had a particularly important part to play in helping small and medium-scale enterprises to find partners, so it would be useful to have a breakdown of successful deals.

36. Since fears were sometimes expressed about the impact of foreign investment opportunities in Central and Eastern Europe on the flow of resources to the developing countries, he drew attention to a World Bank study stating that the volume of such investment was insignificant in relation to world foreign investment as a whole. In addition, much of the capital came from small- and medium-scale entrepreneurs who would never contemplate overseas investment.

37. While welcoming the proposed regional studies, he called for the introduction of an interregional element, possibly linking the Arab, Mediterranean and European countries. Attention should also be paid to the differences in the economic environments of the Central and Eastern European countries.

38. In addition to direct promotional activities, assistance should be given to institutions involved in the investment process. For that purpose, feasibility manuals and training programmes would be greatly appreciated. Consideration could also be given, perhaps, to fostering links through UNIDO between national investment authorities and agencies. Finally, UNIDO could usefully provide advice to developing countries on the problems faced by consulting engineering services, which were a key element of the whole investment process.

39. Mr. NEGRU (Romania) drew attention to the wide discrepancies between the various Eastern European countries in the number of industrial

investment projects promoted. Results in some of them were promising, whereas in others, such as Romania, not a single industrial investment project had been finalized by UNIDO. Furthermore, there had been no feedback on the industrial investment project profiles drawn up in Bucharest and sent to Headquarters. He therefore hoped that the Secretariat would make an effort to increase the number of industrial investment projects in Romania and to provide the joint UNIDO-Romania Centre with access to the network of Investment Promotion Services and to the Investment Promotion Resources Information System.

40. A project funded by the French Government, concerning investment opportunities in four Eastern European countries, including his own, was now in progress, and it was expected that some of the project profiles would attract French investors. His country would also like to receive assistance from UNIDO in mobilizing financial resources and in improving its risk rating in international financial circles. It was particularly interested in programmes partially financed by leading development institutions, donors or industrial companies. Romania was ready to participate in studies on investment opportunities in European countries, the restoration of commercial links among them and cooperation among countries of the Black Sea region.

41. Mr. WANG Zhixi (China) said it was gratifying to note that UNIDO's investment promotion programme had continued to expand in the past year. Several investment meetings had been organized, leading to the formulation of a number of projects, while an effort had been made to expand the IPS system.

42. At a time of dramatic change in the international situation and in the United Nations development system, UNIDO faced serious challenges to its technical cooperation activities and its financial resources. Investment promotion activities would gain in importance, with the Industrial Development Fund and special trust funds becoming an important component in future work. Investment promotion was an area of great potential. As a United Nations agency, UNIDO enjoyed the advantage of an extensive network of connections and channels, of which full use should be made. The emphasis should always be placed on practical results. In particular, an effort was needed to improve the follow-up to investment promotion meetings and to strengthen cooperation with outside agencies and between Headquarters and IPS centres. UNIDO should act as a bridge and a matchmaker between Governments and enterprises in the advanced and the developing countries, while stimulating South-South cooperation. At the present time, many developing countries needed external assistance to improve their investment environment and to attract foreign capital. In addition, UNIDO could usefully prepare publications of interest to the advanced countries on the investment needs of the developing countries.

43. In September 1992, UNIDO and China were to organize a technical cooperation and investment forum for China's five North-West provinces, to which interested entrepreneurs from all countries would be invited. The North-West region was relatively backward in its economic development, with little access to foreign cooperation. However, it had rich natural resources and there was considerable potential for development. In such a region UNIDO could exploit its specific advantages to the full. It was hoped that with the active participation of world business circles it would prove possible to launch a number of projects in that region.

44. Mr. STARSHINOV (Russian Federation) noted the increased effectiveness of the investment promotion programme, which his delegation fully supported. However, more stress should be placed on regional cooperation. Regional investment forums should be organized, without awaiting the completion of studies on the subject, which would be too expensive in the Organization's current financial situation. An analysis of UNIDO's existing regional investment activity and the prospects for the future could be carried out by the staff of the Industrial Investment Division.

45. UNIDO's action in promoting industrial investment could become more effective if more attention was paid to studying the investment climate in individual countries and regions, making appropriate recommendations to Governments, helping them to draft investment legislation and to set up national machinery to attract foreign capital and drawing up recommendations to Governments in conjunction with the regional programmes on the advisability of attracting foreign investment to specific regions and economic sectors.

46. The Russian Federation was interested in active cooperation with UNIDO on industrial investment. The re-establishment of commercial links between the former Soviet Union and former CMEA member States, highlighted in paragraph 29 of document IDB.9/7, was not all that was needed to promote economic and industrial cooperation in Central and Eastern Europe. In the Russian Federation, the legislative basis had now been established for a successful investment process during the phase of transition to a market economy. The proportion of investment undertaken by companies with their own capital had increased from 3 to 50 per cent, although in absolute terms it was still far from enough. It was the task of the Russian Government to implement a new investment policy, helping companies to organize investment horizontally, with the aid of both national and foreign commercial institutions. In accomplishing that task, it counted on the assistance of UNIDO, as well as that of other international and national organizations.

47. Mr. SCHAAD (Germany) said that his Government considered industrial investment promotion to be one of UNDO's most important tasks, but an area in which the Organization had not yet fully responded to the new challenges that had emerged as a result of recent political changes. The in-depth evaluation of UNIDO's investment promotion activities in 1990 had provided important ideas for the future work of the Organization. Those recommendations should be translated into action as soon as possible. In particular, the quality of UNIDO's project profiles needed to be improved. An increase in the number of requests from developing countries did not necessarily mean an increase in the quality of its activities. Unless UNIDO intensified its endeavours considerably, IPS offices would get their projects directly from developing countries. While that was not necessarily a bad thing in itself, it would mean ultimately that UNIDO would lose supervision and control and the chance to coordinate in the field.

48. An expansion of the delegates programme in IPS offices would only make sense if there was a

continuous flow of well-prepared projects suitable for promotion coming from UNIDO and its focal points, especially UCDs.

49. Since many of the projects generated by UNIDO in developing countries were particularly suited for South-South cooperation, the Organization should be more active in that field. With the overall flow of capital from developed to developing countries declining in recent years, UNIDO should put more emphasis on regional and interregional cooperation among developing countries. Its investment promotion activities should be linked to the relevant activities of chambers of commerce and investment centres such as national and regional trade fairs. Its investment forums could be useful, but only if the private industrial sector was involved through cooperation with chambers of commerce, economic associations and entrepreneurs. Since investment promotion was one of the Organization's key activities, the role of the Industrial Development Division, its working conditions, administration, organization and budget should be upgraded. Any economies imposed on the Organization by its financial difficulties must not affect that Division.

50. The PRESIDENT said that, before declaring the debate on item 10 closed, he would give the floor to the Secretariat to reply briefly to the questions raised. The Secretariat would submit more detailed replies in writing the following day.

51. Mr. DEROY (Director, Industrial Investment Division) said that the task of assessing the quality of projects was unending. The picture was an uneven one, with quality ranging from poor to excellent. There had, however, been praise for the quality of UNIDO projects from outside sources. With regard to the question of networking, efforts were under way to transform the piecemeal approach of investment forums into a more highly organized and continuous activity which would exploit modern computerized network facilities. With regard to the transition between investment promotion and the financing of projects, experience had shown that approaching international institutions such as the World Bank was very difficult. However, the Organization had very specific contacts with the various regional development banks, which welcomed the opportunity to review the Organization's basket of completed projects, since for them development of a project was an extremely costly process. Citing two recent examples, he referred to a meeting in London, inter alia, to consider financing IID-concluded projects in Poland, and an agreement reached with the Asian Development Bank to examine possible financing of projects developed for the December 1992 Nepal forum.

52. Mr. GUTIERREZ (Chile) asked that the written replies to be submitted should include a clarification. When reference was made to the financing of projects with regional organizations, was the financing envisaged to be total financing, co-financing, or partial financing?

UNIDO COUNTRY DIRECTOR PROGRAMME (IDB.9/8)

53. The PRESIDENT referred members of the Board to the introductory statement by the Secretariat on agenda item 11, which had been distributed that morning in written form as a time-saving measure.

54. Mr. AKPAN (Organization of African Unity) said that OAU was particularly concerned about the possibility of a future decrease in the UCD programme. Africa needed more assistance from UNIDO, not less. OAU therefore supported the proposals contained in document IDB.9/8, paragraph 11, and appealed to all donor countries to provide increased resources to support the UCD programme. It would, however, welcome a clarification of the appeal to UCD host Governments to increase their participation in the financing of local operating costs. What were those costs and how would they affect UNIDO resources allocated to the UCD programme?

55. Mr. WANG Zhixi (China) said he had noted the contents of document IDB.9/8 with concern. The UCD programme was an important activity and both Member States and UNIDO had a responsibility to help achieve the targets laid down in decision IDB.8/Dec.14. Above all, it was essential to make sure that the number of UCDs did not gradually decline. He therefore urged the Secretariat to pursue its efforts to find new sources of funding and appealed to the advanced countries to maintain or increase their contributions.

56. As the international situation evolved and the focus of UNIDO's work shifted, the responsibilities of UCDs should be expanded to include not just the implementation of UNDP projects but the provision of services for investment promotion and other activities. He also hoped that UNIDO would strengthen the technical expertise available at UCD offices and make them more efficient.

57. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the member States of the European Community, noted with concern that the UCD programme might be drastically curtailed in the years ahead for lack of financial resources. Should the number of such posts decrease significantly, UNIDO's operational activities would be seriously jeopardized. The target of the UCD programme had been set at 50 posts, and no effort should be spared to attain that goal. In principle he favoured a decentralization to the country level. Decentralization did not, however, mean an increase in the total administrative costs for UNIDO. Nor did strengthening the field apparatus mean greater independence for the Country Directors. The UCD programme was a good example of constructive cooperation between UNIDO and UNDP, and he welcomed the integration of UCD offices within UNDP field offices. He appealed to the Secretariat to redeploy funds within the regular and operational budgets for the UCD programme and called upon host countries to cover at least the local office costs of such posts.

58. Mr. SOOKSMARN (Thailand), speaking on behalf of the ASEAN members of UNIDO, was concerned to note that a reduction in UCD posts was expected by the year 1995; whereas an increase to the target of 50, or, at the very least, maintenance of the existing number of posts, was necessary if developing countries' needs were to be met. Of the three sources of financing for the UCD programme, the first, UNDP funds, would cover the cost of 26 posts in 1992. Allowing for inflation, however, the number of UNDP-financed posts would be eroded at a rate of one post every year. Nor could a fall in the number of posts financed from the second source, the operational budget, be ruled out, if the decrease in income resulting from the successor arrangements was taken into account. As for the third source, voluntary contributions, only three posts were currently

funded by such means, and that number was as likely to fall as to rise. Unless measures were taken to halt the trend, some UCD posts in each developing region would have to be terminated, with the countries themselves faced with the invidious task of choosing which posts to sacrifice.

59. A new combination of funds from various sources should be found, with a view to increasing the number of UCDs to the target of 50. The first priority was for UNDP to increase its contributions, and for UNIDO to do so proportionately, either from the operational budget or, if necessary, from the regular budget. The second priority was voluntary contributions. He noted with appreciation the contributions already made by donor countries, especially Germany and Italy, and would urge them to give more, while appealing to all those who had not yet done so to make voluntary contributions of their own. Contributions by host countries should be accorded the lowest priority, since most of the developing countries could not afford them. When such contributions were to be made, they should not be arranged unilaterally by UNIDO on a selective basis. Instead, proper criteria should be established by the Board and applied to all Governments and geographical regions.

60. Mr. NDIAYE (Senegal) said that, at its tenth meeting, the Conference of African Ministers of Industry had recommended that, failing a decision to set up a UNIDO regional bureau for Africa, the General Conference should increase the number of UCDs in Africa. The African countries were thus concerned to note, not only that the number of UCDs in Africa had not increased in 1992, but that financing had been secured for only 23 UCDs in the period 1994-1996. The very success of the programme of the Second Industrial Development Decade for Africa was at stake. He therefore called upon the Director-General and the industrial countries to ensure that, for the period of the Second Decade the number of UCDs for Africa was commensurate with the needs of the African countries.

61. Mr. KUME (Japan) said that his delegation had repeatedly urged UNIDO to meet the specific needs of developing countries by establishing a field network. The statistics cited in document IDB.9/8 revealed the serious budgetary constraints affecting the UCD programme. His delegation found those statistics worrisome, particularly in view of the difficulty of identifying extrabudgetary resources. To deal with that situation, his delegation proposed that the strengthening of UNIDO's field network should be a key topic in any restructuring debate in the near future.

62. Mr. ASHRI (Saudi Arabia) sympathized with those countries that feared a reduction in the number of UCD posts. He hoped that UNIDO would endeavour to overcome the financial obstacles and discuss with UNDP funding for a fixed number of such posts rather than the allocation of a specific amount. Member countries should provide the funds necessary to maintain the current number of posts and should consider financing additional ones. He thanked Italy and Germany for funding three posts in 1992 and urged host countries to contribute towards local costs, as had been done by Indonesia and Turkey.

63. Ms. SUNYAKOVA (Russian Federation) said that the serious crisis affecting the UCD programme could only be ended if host countries and donors were willing to provide further financial support. Regarding the decentralization of UNIDO's activities, her delegation felt that the ideal solution would be to set up regional and, where necessary, subregional offices as had been done by other international organizations such as the International Labour Organisation and the World Health Organization. However, that might be more than UNIDO could afford at present. Her delegation therefore requested that the Director-General should study the issue of the establishment of UNIDO regional offices in Africa, Asia, Latin America, the Near East and Europe, and report to the ninth session of the Programme and Budget Committee, to the eleventh session of the Board, and to the fifth session of the UNIDO General Conference.

64. Mr. AYADI (Observer for Algeria) said that his delegation had been concerned to learn of the difficulties in financing the programme and the possible cut in the number of UCDs. Decision IDB.8/Dec.14 was perfectly clear on the principles by which action in that area should be guided and the Director-General had been requested to take steps on those lines. He regretted that document IDB.9/8 did not contain the information needed, in particular on the results of the negotiations that were supposed to take place between the Secretariat of UNIDO and the Secretariat of UNDP. Member States did not possess all the elements they needed to make a decision. However, funding for the programme at its current level seemed to be assured through 1996, and there would thus be time for more thinking on the question of financing it and ways and means of improving its operation. The challenges that lay ahead for UNIDO meant that it should focus on the country level and strengthen its activities in the field. That would only be possible with financial support, including voluntary contributions, and if necessary the redeployment of funds from the regular budget. It would also be necessary to enter into appropriate negotiations with UNDP on the cost of the UCD posts. There was reason to believe that important savings could be made. No effort should be spared to reinforce a programme which had the support of all Member States.

65. Mr. WOTAVA (Austria) said that his delegation fully shared the concern that had been expressed by several representatives about the possible decrease in the number of UNIDO field offices, to which it attached the greatest importance. He noted that the representative of Senegal had expressed concern that not enough UCD offices could be established in Africa because of financial constraints. In the circumstances, it might be useful for OAU to open an office in Vienna in order to maintain contact with UNIDO on behalf of countries which did not have missions there. The Government of Austria was ready to extend all possible assistance in the establishment of such an office.

66. The PRESIDENT said that the debate on item 11 was concluded. The Board would revert to it for the sole purpose of adopting a decision on the subject.

CONDUCT OF BUSINESS AND RATIONALIZATION OF PROCEEDINGS (IDB.9/13; IDB.9/CRP.2)

67. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the Member States of the European Community, said that they had long been concerned about the conduct of business in the

Board. An overloaded agenda made in-depth discussion of important agenda items impossible. He recalled the concern expressed by the Board in its decision IDB.8/43 and the recommendation of the Fourth General Conference for a rationalization of proceedings and a reduction in the length of future agendas.

68. He commended the paper put out by the Secretariat (IDB.9/13) and said that he understood the difficulties outlined in its paragraphs 5 to 8. The revised format for annual reports set out in paragraph 9, and the regrouping under major headings outlined in paragraphs 10 and 11, offered a way forward.

69. Unfortunately, documentation was not the real problem. The first three paragraphs of the paper made it clear that attempts to cut agendas to the minimum had failed completely. Indeed, the opposite had taken place. The Board must therefore consider again which subjects it needed to take up annually or biannually, and which could be considered at longer intervals. Discussion should be concentrated on those items which required decisions by the Board and were of direct interest to the Organization, and the repetition of routine items should be avoided. Obviously, opinions on the relevance of specific subjects would vary according to the interests of Member States. It was important, however, to have some kind of consensus on the frequency with which all major issues should be debated. That was the first question that should be addressed, and a reduction in documentation would follow.

70. The proposals outlined in paragraphs 10 and 11 of the Secretariat paper would be a step forward. He welcomed the proposal in paragraph 13 (c) that the Board should have before it at each session a report on two or three of the priority problem areas and common elements of the medium-term plan. He would like a clarification, however, of the recommendation in paragraph 13 (b). If concentrating the discussion on the annual report meant neglecting other agenda items, that would be unacceptable.

71. In conclusion, he reminded Member States that the basic duties of the Industrial Development Board were set out in paragraphs 3 and 4 of Article 9 of UNIDO's Constitution. Those duties were clear, and a decision should be reached on the issue at the current session.

72. Mr. WOTAVA (Austria) said that an improvement in the Board's own working methods and habits could go a long way towards the necessary streamlining and reform of UNIDO. There was a striking difference in atmosphere between UNIDO meetings, such as the 1991 General Conference, and those of other agencies' governing bodies. That could be accounted for by a number of factors. The negative attitude of some participants tended to be contagious. Delegations coming from abroad did not usually know each other beforehand, and there was little chance in a single week to establish the informal contacts which could be so useful in governing an organization. Even among the Vienna-based delegations, there was not the constant interchange of views that would come from frequent meetings throughout the year. Furthermore, relations between representatives and the Secretariat, which were essential for the success of any operation, were not as easy as they should be in all cases.

73. Apart from the written Constitution and rules of procedure, there was always a body of unwritten rules which must be adhered to in order to make a conference work. For instance, towards the end of the time allotted there must be some give-and-take among the various groups in order to achieve a consensus. The views of the Secretariat on representatives' suggestions should be listened to, and the fact that time was precious must be respected. Such unwritten rules were essential, and if even a single delegation ignored them, the resulting frustration and exasperation could poison the whole atmosphere.

74. In earlier times there had been more industrial specialists at UNIDO meetings, but for some years the meetings had been dominated by members of permanent delegations, who tended to be generalists. It could be quite difficult for a generalist to take a passionate interest in industrial development or to evaluate the work of the Organization.

75. He had drawn attention to those rarely discussed aspects because, in the opinion of his delegation, the members of the Board should not simply go on as usual, reading the same statements, adopting identical decisions, lamenting the financial difficulties and going home with a sigh of relief that another meeting was over. Ways of changing those attitudes should be sought through informal channels.

76. In his delegation's opinion, the documentation provided for the session compared quite favourably with that of other organizations from the point of view of bulk and readability. According to the Secretariat paper, the decision to consolidate the Board's documentation into a single document had been found impractical. Such situations tended to occur as the result of hasty decision-making under pressure of time. If the Secretariat thought that any decision about to be taken was impracticable, it was its duty to say so right away and to state its reasons, and delegations should listen before taking any decision.

77. The governance of UNIDO could and must be improved. Streamlining agendas and cutting the average speaking time would be valuable steps, but they would not address the real problem, which was a lack of genuine belief in the Organization.

78. Mr. VENTURA (Mexico) said that although the Board had held more sessions since 1990, it continued to suffer the same problems of shortage of time for detailed discussion of matters of policy. In the last two years, it had unfortunately had to concentrate on administrative matters at the expense of other items. The discussion of the current item should be the start of a period of reflection, not only on the organization of meetings but also on UNIDO's work as such.

79. In addition to trying to rationalize agendas with a view to a more detailed consideration of substantive items, thought should be given to making better use of the meetings of experts organized by UNIDO, in particular those of the Director-General's Special Advisory Group, which met each year but went virtually unnoticed by the governing bodies. That would enable the conclusions of the experts on industrialization to be channelled into specific action proposals. Similarly, the other expert meetings convened by

UNIDO could also be made use of by the Board, if steps were taken to see that representatives of the government, private and academic sectors participated in them and if their conclusions contained specific recommendations on important matters which could be the subject of substantive negotiations. The follow-up mechanism for those proposals would be the Board, as in the case of the conclusions of the meetings of the System of Consultations. The proposal could lead to an exercise in which, in the long term, the possibility could be envisaged of enabling UNIDO to work through committees or groups of experts with specific mandates, on the lines of those in FAO or UNCTAD, whose discussions would give rise to a political and technical debate that would be more useful to Member States.

80. As far as the Secretariat's proposals in document IDB.9/13 were concerned, he believed that the proposal to organize the Board's agenda on the basis of the major programmes and subprogrammes of the programme and budget document would be contrary to the General Conference's proposal that it should focus on substantive items. There would also be a risk of fragmenting the current procedure still further. The proposal to concentrate the discussions on the annual report of the Organization seemed acceptable, provided the document was what it should be: a balanced, objective and clear report of the Organization's activities. The idea that two or three special reports on priority elements of the medium-term plan should be provided at each session of the Board seemed useful.

81. Similar thinking should be applied to the work of the Programme and Budget Committee, so that Member States could participate to a greater extent in the preparation of the programme and budget document from the earliest stages.

82. Mr. VETTOVAGLIA (Switzerland) said that the streamlining and reorganization of the work of the policy-making organs was vitally important, given UNIDO's limited resources. The papers prepared by the Secretariat to that end (IDB.9/13, IDB.9/CRP.2) were hardly satisfactory. Instead of trying to achieve the restructuring requested by the General Conference in its resolution GC.4/Res.26, they seemed to prefer to draw attention to the difficulties encountered and leave things as they were. The Board had no choice in the matter; sooner or later the General Conference's resolution must be implemented. It was true that nearly all the agenda items proposed for the tenth session had been imposed by decisions of the General Conference and that the Board had no power to change them, but it was vital that, from the eleventh session onward, restructuring should be started on the lines of paragraphs 12 and 13 of the Secretariat paper, in particular subparagraphs (a) and (c). His delegation trusted, therefore, that the two or three topics to be considered in depth would be selected before the next General Conference.

83. He emphasized that rationalization could not be merely theoretical. Setting priorities and reorganizing the work of UNIDO's policy-making bodies was essential if UNIDO was to be able to compete with other international organizations. If it wished to survive as a specialized agency, its efforts must be targeted. It must recognize that public money for development assistance was dwindling and needed to be kept for the most productive and effective activities.

84. That meant that, after the tenth session of the Board at the latest, the items on the agenda should take into account Member States' priorities and should therefore be reduced to a small number of main topics. Astonishingly, while deploring the length of the agenda, Member States were still at the same time adopting resolutions calling for additional reports to be submitted at the next session. Criticism of the Secretariat must not obscure the fact that responsibility for rationalizing the Board's proceedings rested with Member States. It should no longer be necessary for the Board to be forced to discuss a score of resolutions in a few days. In some organizations, draft resolutions had to be put in several weeks before the start of the session. In others, resolutions were given an order of priority and only the five most urgent were dealt with.

85. Ms. ANGELL-HANSEN (Norway) said that it was essential to rationalize the proceedings of UNIDO's governing bodies. The increase in recent years in the number of agenda items and associated documentation was not conducive to proper discussion. Accordingly, she found the proposals in the Secretariat paper useful. The approach whereby subjects would be grouped under main headings would allow for a more detailed as well as focused debate. Her delegation could also support the division of the agenda into two separate parts: first, agenda items needing substantive discussion and decision, which would be limited to three or four, and second, items consisting only of progress reports. Delegations would of course be free to comment on those if they so desired. However, they would not be the main subjects under consideration. In the case of the first set, the Secretariat could be requested to put forward questions which it regarded as being of particular importance and requiring consideration by Member States. That approach was used in other international bodies, such as the Development Committees of IMF and the World Bank. It would allow the Board to focus in a substantive manner on a more limited number of subjects and to give the Director-General and the Secretariat better guidance.

86. Under UNIDO's Constitution, there was supposed to be a division of labour between the governing bodies. That division should be applied in practice to a much greater extent. That would avoid a situation in which the same items were considered - in detail - first in the Programme and Budget Committee, then in the Board, and finally in the General Conference.

87. In future, the Board should avoid the extensive debate on housekeeping issues that had characterized the last General Conference. If Member States were unable to change that and focus instead on major policy issues, it would be very difficult to interest Governments in the work of UNIDO or to attract high-level participation in future General Conferences.

88. Mr. MBEGABOLAWE (Zimbabwe) said that the need to rationalize the Board's proceedings had been demonstrated again at the current session. The Board had been well behind with its agenda from the start, with the result that measures had had to be taken to allow the plenary to go through all the items in time for the informal consultations to be completed. The outcome could hardly be termed even a first reading and could well have had an adverse effect on the substantive debate in which all Members

wished to engage. There had been very little opportunity for a real exchange of views and the representatives of the Secretariat had had to cut down or forgo their introductions to items and replies to delegations' questions. That had reduced the potential for the thorough and concrete discussion of issues that had been urged by various policy-making bodies since the fourth General Conference.

89. His delegation welcomed the paper put out by the Secretariat and believed that the implementation of the recommendations in its paragraph 13 would go a long way towards rationalizing the Organization's activities. The Board must begin somewhere, even on a trial basis, and further proposals could be made at a later stage.

90. Mr. ALEXANDRENNE (Deputy Director-General, Department of External Relations, Public Information, Language and Documentation Services) said that some steps had already been taken to rationalize the work of the Board and of the General Conference, but that much remained to be done. Two main lines of thought had emerged which would allow the Secretariat to move towards further improvements. There was apparently a consensus on the Secretariat's recommendations in document IDB.9/13. The Secretariat could therefore examine the agenda of the next session of the Board on that basis, in the light of the suggestions made, and try to rationalize it so that debate could focus on the items most important to the Board. Other suggestions had been aimed at the medium term. A working group had been meeting on that issue since 1988. It should be asked to study the recommendations on the basis of the suggestions made and to put forward specific proposals for the future organization of work as soon as possible.

91. The PRESIDENT said that he would declare the discussion of the item in plenary meeting closed, on the understanding that it would be followed up in the informal consultations.

The meeting rose at 1.05 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Ninth session

SUMMARY RECORD OF THE 8th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 21 May 1992, at 4 p.m.

President: Mr. CSERVENY (Hungary)

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The meeting was called to order at 4.25 p.m.

ELECTRONIC DATA-PROCESSING PROGRAMME (IDB.9/12 and Add.1; GC.4/50; GC.4/CRP.1)

1. Mr. WARNER (Deputy Director-General, Department of Administration) introduced the report of the Director-General on the electronic data-processing programme of UNIDO (IDB.9/12), which described the action taken by the Secretariat on the primary recommendations put forward by Touche Ross Management Consultants (GC.4/CRP.1) and by the External Auditor (GC.4/50). The related costs were set out in document IDB.9/12/Add.1, which also reported on the status of the contractual commitments made in compliance with decision 18 of the fourth General Conference. Those costs would be a continuing item, but the programme would stay within approved levels of expenditure.

2. One of the most significant recommendations made by the consultants had been the establishment of an internal working body to oversee the operations of the management information system. The Information Technology Steering Committee (ITSC), founded in October 1991, had held nine meetings and would continue to meet on a regular basis and submit policy recommendations to the Director-General. In addition to reviewing all recommendations made by the consultants and the External Auditor, ITSC had put forward various recommendations relating in particular to the establishment of a policy framework for hardware and software standards, the monitoring of expanded training programmes, the allocation of resources and the reviewing of the Organization's draft strategic automation plan.

3. The appointment of the Director of the Management Information Services Division was a major step in the overall strengthening of UNIDO's programme and had enabled the administration to reorganize the staffing of the Division in line with the observations of both the Working Group of Independent Experts and the consultants.

4. Mr. FIGUEIRINHAS (Observer for Portugal), speaking on behalf of the States members of the European Community, noted with satisfaction that the maximum expenditure on the electronic data-processing (EDP) programme authorized by the General Conference for the biennium 1992-1993 and

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proposed for the biennium 1994-1995 would under no cirumstances be exceeded. He had been pleased to observe that various recommendations by Touche Ross Management Consultants and the External Auditor had been implemented. He would like to know when the report of Andersen Consulting would be available.

5. With regard to annex I to the Director-General's report, he wished to know which software would be used by UNIDO, in view of the unavailability of FAO's FINSYS/PERSYS package. He also requested information about action taken following the Touche Ross recommendations on economies; it had been suggested that the contract with IBM should be terminated or renegotiated. In connection with the backup computer installation, he wished to know how the work could be completed in 1992 and the operational tests carried out whilst negotiations with IAEA were suspended. Inadequate training of staff, also emphasized in the Touche Ross report, should be rectified as quickly as possible, since it was a major cause of underutilization of UNIDO's computer installations.

6. The Secretariat should endeavour to make further savings, since a large part of the operational budget was allocated to the EDP programme, thus reducing the amount available for technical cooperation. It should also make greater use of its own personnel rather than call in outside firms. He requested clarification regarding the comments made in points 15, 16 and 17 of annex I to document IDB.9/12 to the effect that training in WordPerfect was currently being provided but that the purchase of the corresponding hardware would be posted to the 1994-1995 budget.

7. Mr. TAKASHIMA (Japan) said that his delegation, whilst noting the errors made previously by UNIDO in connection with the EDP programme, in particular with regard to budgetary and procedural aspects, appreciated the efforts made by the Secretariat to make the EDP system more transparent and to remain within the budgetary limits set. It would now be more constructive to discuss how the system could be used to its full potential. In order to monitor the progress of the EDP programme more closely, his delegation requested the Secretariat to report on the benefits that had so far been obtained from UNIDO's acquisition of EDP facilities.

8. Ms. KIMBLE (United States of America) welcomed the progress made in implementing the primary recommendations of Touche Ross Management Consultants, as reflected in document IDB.9/12. Whatever their opinions on the original decisions behind the programme, Member States should now give UNIDO support in putting the EDP programme on a sound basis. Against a background of shrinking financial resources, the task of adapting the programme to UNIDO's real needs was especially difficult, and the Organization should be encouraged to continue the progress it had made in rationalizing the programme in accordance with the best professional knowledge available.

9. Mr. GUTIERREZ (Chile) said that his delegation had been pleased to note the efforts made by the Secretariat to implement some of the recommendations by Touche Ross Management Consultants, despite the fact that the EDP system advocated by Touche Ross was not the most suitable one for UNIDO's requirements and that its total cost would constitute a heavy financial burden on the Organization. Although it was logical to assume that all the Touche Ross recommendations would be implemented, careful reading of annex I to document IDB.9/12 appeared to indicate otherwise.

10. The document contained no mention of the costs of implementing the recommendations, particularly those relating to the disaster recovery plan, as had been called for in General Conference decision GC.4/18, subparagraph (h). According to annex II of document IDB.9/12, such a plan had been drafted under the facilities management contract with IBM. However, despite official requests, neither the EDP system contracts nor the legal instrument under which the consultants had been engaged had been made available. The absence of such essential background documents had prevented even an approximate assessment of the issue. Unless and until the contracts could be examined, his delegation considered that the matter could not be closed. It also believed that any further purchases should be made solely by public invitation to tender, that being the customary procedure in international organizations. It would be grateful if the Secretariat could provide the Board with a timetable for the measures it was taking, showing the date when the system would reach full operational capacity.

11. Mr. KAMEL (Turkey) expressed his appreciation to the Secretariat for the steps taken to make the EDP project more transparent and for the action undertaken in response to the recommendations of Touche Ross Management Consultants and the External Auditor. He also inquired as to when the report of Andersen Consulting would be ready and requested information on how that firm had been awarded the contract to carry out phase 2 of the strategic automation plan.

12. Mr. WARNER (Deputy Director-General, Department of Administration), replying to points raised in the discussion, said that Andersen Consulting's draft report on its work was nearing completion. It would be reviewed by the Secretariat and the Information Technology Steering Committee, and would probably be circulated before the Programme and Budget Committee's session in mid-June.

13. With regard to the FINSYS/PERSYS system currently used at FAO, three examinations had been conducted with professional assistance, from which it appeared that the system was still not ready for transfer. Contact would be maintained with FAO and operations at Geneva in order to establish when transfer would be feasible, in keeping with the Touche Ross recommendations. Examination of other prospective packages and cost/benefit analyses would continue to be carried out with a view to ascertaining whether the same goals could be achieved at less cost with an alternative system.

14. In connection with the observations raised concerning the Touche Ross recommendations on savings, a full answer would be contained in the External Auditor's statement to be issued shortly. However, he could make the following comments at the present stage: the post of Systems Services Specialist had been discontinued and related costs were no longer being incurred; the facilities management programme had been restructured, yielding signficant savings for the

Organization; the recommendation with regard to the elimination of management of the WANG system had been fully implemented; and the software portfolio had been realigned following negotiations with IBM, producing substantial savings.

15. With regard to the question raised concerning the backup installation, a recent change of personnel at IAEA combined with system-upgrading activities in that Agency had delayed completion of the project. Finalization was scheduled for the latter half of the year.

16. He concurred with the observation that the Secretariat could make further economies by relying on its own personnel. That line of action would be pursued to the extent that technical safety allowed.

17. In connection with points 15 and 16 in annex I to document IDB.9/12 regarding the WANG system that supported EPL/LD, a decision had been taken in accordance with the consultants' recommendations to pursue implementation of WordPerfect, but, owing to current budgetary limitations, it had not been possible to begin hardware conversion. The corresponding planning and architectural arrangements would be finalized in 1993. The 1994-1995 budgets incorporated sufficient funding for the completion of the recommended hardware transition.

18. Concerning the observation that the Secretariat should report on the benefits so far derived from EDP acquisition, any such report would be a comprehensive one. The most appropriate time for it would be after completion of the Andersen Consulting report, at the time of implementation of the strategic plan.

19. Replying to the Chilean delegation, he said that the reason why not all the Touche Ross recommendations had yet been implemented was that they were intended to be carried out in stages.

20. Mr. GUTIERREZ (Chile) explained that his delegation had not asked any questions but had merely enumerated a list of facts that were of concern to it. He had simply wished to know when the system would be fully operational.

21. Mr. WARNER (Deputy Director-General, Department of Administration) said that the Secretariat would be pleased to provide that information.

VENUE OF THE FIFTH SESSION OF THE GENERAL CONFERENCE (IDB.9/4)

22. Mr. ALEXANDRENNE (Deputy Director-General, Department of External Relations, Public Information, Language and Documentation Services) drew the Board's attention to additional information received in connection with the proposed venue of the fifth session of the UNIDO General Conference, namely, two letters addressed to the Director-General by the Cameroonian Ministries of Foreign Affairs and Industry. In those letters, the Government of Cameroon had formally noted the financial commitments involved in holding the General Conference at Yaoundé and had undertaken to ensure that no costs would be incurred by UNIDO through holding the session away from Headquarters. The holding of the Inter-Parliamentary Union Conference at Yaoundé in April 1992, an event attended by over 1,000 delegates, provided ample illustration of the conference facilities available and of the local infrastructure. Also, the Government of Cameroon intended, at the next session of the Board, to present a film showing the country's socio-economic environment.

23. The Board was required at the current session to reach a decision on the holding of the fifth General Conference at Yaoundé, since the Government of Cameroon had to submit that decision to its National Assembly, which was due to hold a budgetary session in June 1992 with a view to making available the necessary financial resources.

24. Mr. AYADI (Observer for Algeria), speaking on behalf of the African Group, noted with satisfaction that the report of the mission dispatched to Yaoundé in connection with the proposal to hold the fifth session of the UNIDO General Conference there contained no indication that the facilities would not be adequate. The African States wished to express their appreciation for the Cameroonian Government's invitation. The holding of the General Conference session in an African country would provide an opportunity to find new solutions to the problems of the developing countries, and in particular to focus attention on the situation in Africa, with its immense difficulties, its achievements and its hopes. It would also be an occasion for UNIDO to reaffirm its commitment to the task of fostering the continent's industrial development. The Government's invitation to the General Conference and the support it had received from African countries bore witness to Africa's faith in UNIDO as a specialized agency for the promotion of industrial development.

25. Mr. NDIAYE (Senegal) said that to hold the fifth session of the General Conference in Cameroon would give delegates the opportunity, during the Second Industrial Development Decade for Africa, to see how much progress had been achieved by an African State and how far the continent still had to go to catch up with the others. He hoped the Board, having been assured that the Conference would be efficiently organized, would support the proposal.

26. Mr. ABOGO-NKONO (Cameroon) welcomed the favourable response given by the fourth General Conference to his Government's invitation to hold the fifth session at Yaoundé. He hoped the Board would take its final decision at the present session, and not wait until the tenth. His Government would then be able to request the Parliament, at its budget session in June, to release an initial allocation of the necessary funds. If the Board deferred its decision until November, his Government would be unable to obtain funds until June 1993, since Cameroon's financial year ran from July to June. The five-month period from then until the General Conference would be too short for it to meet its obligations satisfactorily.

27. The Government of Cameroon had received the draft agreement specifying the obligations of the host Government. Those obligations had been accepted by a letter of intent from the Minister for Foreign Affairs, which had been deposited with the Secretariat.

28. The Director-General's report (IDB.9/4) concluded that the local infrastructure,

including the Palais des Congrès, the hotel accommodation and the international airport would be fully adequate, given a few minor alterations, to provide the requisite conference facilities in December 1993. Indeed, the Inter-Parliamentary Union had already held its conference, attended by around 1,000 delegates, at Yaoundé in April 1992.

29. The total cost to the Government of Cameroon of transferring the Secretariat for the duration of the Conference was estimated at about $1 million, the costs incurred locally being about twice that figure. The financial outlay would be worth while, since it would stimulate additional investment and help to promote tourism. Under the terms of the agreement to be signed by his Government, UNIDO would be exempt from all additional expenditure incurred by holding the General Conference away from Headquarters. Member States with permanent missions at Vienna would doubtless understand that for those which were less fortunate, coming to Vienna involved considerable travel and subsistence costs.

30. During the entire 32 years since its independence, Cameroon had enjoyed peace and political stability. It was a democracy. It had consistently pursued a market-economy system, attracting capital on favourable terms from many foreign countries. It was now undertaking a major economic reform focusing on privatization of its public enterprises, liberalization of trade and structural adjustments to offset its public sector deficit.

31. The presence of UNIDO in Cameroon would be a sign of confidence at a time when investment in Africa was in rapid decline. It would also be an opportunity for delegates to see at first hand some of the results of his country's cooperation with UNIDO. Cameroon had full confidence in UNIDO's capacity to promote industrial cooperation and integration at the subregional, regional and interregional levels. By agreement with the Secretariat, the Government was appointing an official to serve at the UNIDO office at Yaoundé and was encouraging other countries to do the same. Its invitation to the fifth General Conference was also an appeal to the international community at large to play its part in interregional cooperation so as to enable Africa to contribute more effectively to world industrial development.

32. Mr. EL-HUSSEIN (Sudan) welcomed the generous offer of Cameroon to organize the fifth session of the General Conference at Yaoundé. It appeared that the Government was prepared to provide all the requirements needed for its servicing. To hold the session in a developing African country would underscore the close links between the Organization and Africa and its importance for industrial development there. His delegation therefore urged the Board to accept the offer.

33. Mr. SCOULAR (United Kingdom), while appreciating the Cameroonian Government's willingness to assume the considerable financial burdens which fell on a host country, pointed out that a move from Vienna would occasion hidden costs for all involved. If the Board decided to accept Cameroon's offer, the decision should not set a trend; subsequent General Conferences should be held in Vienna. On a procedural point, he wondered whether the Board was entitled to advance the timing set in the General Conference resolution by taking its decision before the tenth session.

34. Mr. EL FENDRI (Tunisia) was in favour of the proposal. The pressing economic needs of the African continent made Cameroon an eminently suitable location.

35. Mr. SOOKSMARN (Thailand) said that his country, which had been host to the second session of the General Conference at Bangkok, sympathized with the concern expressed by the representative of Cameroon with regard to the timing of the preparations. Because of the fiscal year in Cameroon, it was essential for the Board to reach a decision at the present session. He pointed out that General Conference resolution GC.4/Res.30 requested the Director-General, having consulted the Government in question, "to submit a report to the Board at this session for decision". The other ASEAN country representatives - those from Indonesia, Malaysia and Philippines - shared his views.

36. Mr. KIM (Republic of Korea), speaking on behalf of the Asian Group, expressed his appreciation to the representative of Cameroon, and welcomed the information provided in document IDB.9/4. In view of the time constraints posed by the fiscal year in Cameroon, his delegation urged the Board to give its formal approval to Cameroon's proposal.

37. Ms. KIMBLE (United States of America) said that her Government had consistently taken the view that meetings of international organizations should be held at their headquarters, to make the most rational use of their resources. Even when, as in the case of Cameroon, the host Government at an alternative venue had undertaken to defray any additional identifiable expenditure, there were always hidden costs for the Secretariat. The loss of staff time and efficiency caused by the need to coordinate activities at a distant site and the logistical problems involved were costs which could not be recouped. She urged the Secretariat to identify as many such costs as possible, to ensure that regular budget resources were fully protected. The Secretariat should also remain in close touch with the Government of Cameroon as the cost estimates evolved, in order to be informed of any additional requirements. On the credit side, holding the General Conference at Yaoundé would enable some Member States with permanent missions there but not in Vienna to attend, and she hoped they would take that opportunity. It would also offer a unique opportunity for delegations to see UNIDO field activities at first hand. If the proposal was accepted by the Board, it should not be regarded as a precedent for future General Conferences.

38. Mr. BARRY (Guinea) was delighted that the Cameroonian authorities were willing to ensure the successful organization of the fifth General Conference at Yaoundé. He fully supported the proposal.

39. Mr. WANG Zhixi (China) said that if the fifth General Conference was held in Cameroon, it would help Member States to appreciate the situation in Africa and encourage them to contribute to the industrialization of the continent. He therefore supported the proposal.

40. Mr. TADESSE (Ethiopia), welcoming the offer by the Government of Cameroon, said that the benefits of holding the General Conference in Yaoundé would accrue to the rest of Africa as well. Holding industrial conferences in Africa was a means of stimulating African countries to industrialize and to abandon their traditional role as producers of a single agricultural commodity.

41. Mr. PLUG (Netherlands) welcomed the offer of the Government of Cameroon, and the positive outcome of the UNIDO mission. It would be an excellent idea for Member States to meet, for once, in an African country. As a general principle, however, his country did not favour holding meetings of governing bodies away from their headquarters, because of the inevitable additional costs involved. He therefore hoped that if a decision was made to accept Cameroon's offer, it would not set a precedent and that the sixth General Conference would be held in Vienna.

42. Mr. MUSA (Nigeria) noted that the Government of Cameroon had given an assurance that it would be able to provide all the necessary facilities and meet the financial requirements required for holding the fifth session of the UNIDO General Conference in Yaoundé. The Government of Nigeria and, indeed, the whole of Africa were committed to the success of the undertaking and would ensure that the facilities necessary for a successful conference were in place. He called on all members of the Board to accept the Cameroonian Government's invitation.

43. Mr. SZABO (Hungary), noting the great success of the recent session of the Inter-Parliamentary Union held in Yaoundé, expressed his support for the offer by Cameroon to organize the fifth session of the UNIDO General Conference. It was beneficial for the Organization when sessions of its General Conference were held in developing countries.

44. Mr. EZZAT (Egypt) thanked the Government of Cameroon for its generous offer to act as host to the fifth session of the General Conference at Yaoundé and to bear the full financial burden. The holding of the Conference in a developing country would be an affirmation of the role played by UNIDO in such countries.

45. Mr. WOTAVA (Austria) said that while his country was always pleased to play host to a session of the UNIDO General Conference, it welcomed the invitation extended by the Government of Cameroon, in particular because it would be the first time that an African State had been host to a session of the General Conference. African States were currently taking a great interest in the activities of the Organization, which had in its turn done a great deal for them. The Board should take the appropriate decision at the present session in order to facilitate the task of the Government of Cameroon.

46. Mr. AKPAN (Organization of African Unity) said that OAU fully supported the invitation by the Government of Cameroon to the fifth session of the UNIDO General Conference. The Board should not tie itself down to the dangerous principle of always holding sessions of the General Conference at Vienna; very few developing countries were in a position to play host to the headquarters of international organizations, and they should be encouraged when they expressed their willingness to organize meetings of those organizations.

APPOINTMENT OF DEPUTY DIRECTORS-GENERAL (IDB.9/17)

47. The PRESIDENT said that one post of Deputy Director-General had been vacant since 31 March 1992 and that a further two posts would become vacant on 31 May 1992. In compliance with Article 11.5 of the Constitution and Board decision IDB.1/Dec.11, the Director-General was submitting his recommendations for candidates for those three posts to the Board for approval.

48. Mr. SIAZON (Director-General) expressed thanks on behalf of the Secretariat, as well as on his own behalf, to Mr. Araoz, Mr. Soumarokov and Mr. Wiesebach for their services to the Organization as Deputy Directors-General and wished them every success in their future endeavours.

49. The process of consultations on the choice of two of their successors had taken some time, and while the outcome had not met everyone's expectations, all had had the opportunity to express their views individually and as groups. Those consultations had given him a better understanding of the positions held by the parties concerned and had helped to guide him in his choice of candidates. His prime concern in making his nominations had been the best interests of the Organization, in terms of adherence to the Constitution, compliance with the relevant decisions and resolutions of the policy-making organs, consultations with all the regional groups, and selection of the candidate best able to fulfil the duties of the office concerned.

50. He had issued invitations to the Member States concerned to submit candidates, and following submission of those candidates, had immediately arranged to have consultations with all regional groups. Those consultations had taken place at four levels: among members of the regional groups submitting candidates, between the regional groups and the Director-General, between the individual members of the regional groups and the Director-General, and between other Member States of UNIDO and the Director-General. His principal aim had been to reach agreement with the regional groups on the choice of candidates, while giving the selection process itself greater transparency. He wished to thank all regional groups and their members for taking part and sharing their views, and to express his appreciation to all Member States which had submitted candidates.

51. His own term of office would be coming to an end in 19 months' time, and in that period he wanted to see UNIDO become a stronger and better organization. The candidates he was submitting to the Board would add great talent and experience to UNIDO's senior management team and help to bring that wish to fruition.

52. Accordingly, he wished to nominate Mr. Werner Ernst Behrens (Germany) as Deputy Director-General to head the Department for Programme and Project Development, Mr. Mauricio de Maria y Campos (Mexico) as Deputy Director-General to head the Department of Industrial Operations, and Mr. Ernest Evgenyevich Obminsky (Russian Federation) as Deputy Director-General to head the Department for Industrial Promotion, Consultations and Technology.

53. The PRESIDENT said that the Bureau had reviewed the draft decision contained in

paragraph 5 of document IDB.9/17 and had decided to recommend it to the Board for adoption.

54. Mr. ARIAS-SALGADO (Spain), speaking on a point of order, and supported by Mr. TALIANI (Italy) and Mr. GUTIERREZ (Chile), said he believed that it would be possible to reach a decision by consensus, but only after further consultations had been held among delegations. Accordingly, he requested that the President suspend the meeting to allow those consultations to take place.

55. The meeting was suspended at 6.15 p.m. and resumed at 6.35 p.m.

56. Mr. TALIANI (Italy) said that his delegation had known and cooperated with Mr. Behrens for some time and had found him to be a man well qualified to be appointed a Deputy Director-General. However, he strongly deplored the procedure which the Director-General had chosen to adopt in arriving at his proposal to appoint Mr. Behrens. As the Director-General had repeatedly said, appointments of Deputy Directors-General had important political connotations, and the Director-General had received plenty of advice from the 12 member States of the European Community in the Western European and Others Group, which had submitted a number of highly qualified candidates. He himself had been given to understand that in view of the political connotation of the appointments, only government-sponsored candidates would be considered. But the Director-General had chosen to ignore the advice of many Member States and to propose another candidate. Nevertheless, out of respect for Mr. Behrens and because the proposed appointment would be of short duration, he would not formally be opposing his candidature.

57. Viscount VILAIN (Belgium) said that because the past two years or so had been a very difficult period it was all the more important to respect the basic imperative which ensured that an organization like UNIDO functioned well, namely, the preservation of a spirit of cooperation and mutual confidence and consideration between the Director-General, on the one hand, and the Member States and their representatives on the other. While the Director-General had the power to appoint his staff, it was incumbent upon him to take due note of the views of Member States and to maintain relations with their representatives which were based on frankness and dignity. That obligation had not been respected during the process leading to the nomination of one of the three candidates proposed, and he wished to express the profound dissatisfaction of his Government in that regard.

58. Some of his colleagues had advised him not to bring the matter into the public domain in order not to disturb the allegedly consensual atmosphere of the Board, but it was his belief that they were wrong. It was only through frankness that one could hope to restore confidence, and the crisis of UNIDO was above all a crisis of confidence.

59. The Director-General had invited Member States in writing, through their respective regional groupings, to select appropriate candidates for the three posts. One of the posts was reserved for a national of a Member State of the Western European and Others Group, and traditionally it went to a national of one of the 12 member States of the European Community. After extensive discussions between representatives of those States in Vienna and after consultations within the Western European and Others Group, a list of candidates who were supported by their Governments had been formally submitted to the Director-General. Shortly afterwards, and following a series of individual contacts which had had uncertain and often contradictory conclusions, the Director-General had, to the great surprise of the members of the Group, made known his intention not to accept any of the candidates proposed by the Governments concerned, and instead to nominate a candidate of his own choice.

60. That astonishing decision had provoked a general reaction of disapproval, to the point where members of the Group had formally requested the Director-General to go back on his decision. The draft decision contained in document IDB.9/17 showed that he had, unfortunately, not seen fit to respond to that request. It was a profoundly regrettable decision, which was completely unjustified, because no one could be expected to believe that the twelve Governments had not been capable of selecting a single candidate worthy of becoming a Deputy Director-General of UNIDO, and presumably the Director-General himself would not make such a claim either.

61. He had not been able to understand the reason for the Director-General's decision. If it had been his intention from the outset to accept only an internal candidate or only a candidate of a particular nationality, he should have told the members of the Group so frankly and saved them the trouble of seeking a candidate. For all who had been involved in the episode, the most tangible result of the Director-General's decision was a feeling of malaise and frustration and a sense of having been manipulated and of having been set one against another, with no one in the end receiving satisfaction. Such a result was not likely to encourage an atmosphere of confidence and collaboration within the Organization. It was stated in document IDB.9/17 that the Director-General had made his recommendation to the Board "taking into consideration the panel of names submitted". That did not accord with the facts.

62. He did not intend to oppose the appointment of the three recommended candidates and would not be blocking the appointment of Mr. Behrens. He merely wished to state that his Government had never been formally informed of Mr. Behrens' candidature and that no one had ever asked him to support it. He had not even seen Mr. Behrens' curriculum vitae until he had read it in the annex to document IDB.9/17 two days before. Mr. Behrens was not the candidate of the Western European and Others Group or of the member States of the European Community, nor was he even the candidate selected by the Government of his own country. He had nothing, personally, against Mr. Behrens, and wished him every success in his future endeavours, but he could not accept that Mr. Behrens had, for no valid reason, been preferred to other candidates with indisputable qualifications who had been submitted by their Governments and formally proposed by their regional group. What was at issue was a question of political balance within the Organization and a question of elementary consideration towards the Governments of Member States and their representatives.

63. Mr. ARIAS-SALGADO (Spain) said that, as the Director-General's note indicated, the legal validity of the appointments of Deputy Directors-General was governed by Article 11.5 of the Constitution and Board decision IDB.1/Dec.11 and annex, and thus required the concurrence of the Director-General and the Board. With regard to the Director-General's proposal for the post of Deputy Director-General falling to the Western European and Others Group, the consultation procedure followed by the Director-General had involved the transmittal to him on 7 April 1992, at his request, of the names of official candidates from five countries, including Spain, whose Governments had selected them because of their professional qualifications for the post. It was therefore unfortunate that the Director-General's proposal had not included the candidate put forward by his Government. His delegation appreciated the professional worth of the staff member recommended by the Director-General, but it regretted that his name had not been suggested to Member States at the beginning of the consultation process. Had that been done, his Government would not have put forward an external candidate; it could fully support the principle of internal promotion as a matter of staff policy, provided that the conditions of professional qualification and geographical balance were respected.

64. Mr. GUTIERREZ (Chile) said that he was concerned with the procedural aspect of the recommendations, not the qualities of the persons concerned. He felt that in the circumstances the term "appointees" would be more appropriate for them than "candidates". The Director-General was of course entitled to select appointees for approval by the Board. It would have been better if, in his note, the name of each of the persons recommended had been followed by the adjective of his nationality and not the name of his country. The bitterness which some delegations had expressed on the subject was a measure of the harm done to the credibility of the Organization by the lack of transparency displayed in the recommendation process. His delegation had no criticism to offer of the persons recommended or the countries from which they came, but he felt that their selection had revealed very improper management.

65. Mr. WOTAVA (Austria) said he feared that the course of the debate might leave a shadow hanging over the prospective appointment of Mr. Behrens as Deputy Director-General of the Department for Programme and Project Development. He therefore wished to express his full support for the proposal to appoint Mr. Behrens, whose outstanding services to UNIDO in the various posts he had held in the Organization had always impressed him.

66. Mr. LEE (Republic of Korea), speaking on behalf of the members of the Asian Group, said that his delegation supported the nomination of the three candidates recommended by the Director-General, on the understanding that the geographical groups to which they belonged did not oppose the nominations. The curriculum vitae of each of them gave the members of the Asian Group full confidence in their qualifications and their ability to contribute towards UNIDO's goal of promoting the industrialization of the developing countries. The members of the Asian Group represented in the Board therefore approved the draft decision proposed in the Director-General's note.

67. Speaking on behalf of his own delegation, he noted the concern expressed by the representatives of Belgium, Italy and Spain. He hoped that due heed would be taken of the points they had raised when the question of similar appointments arose in future.

68. The PRESIDENT said that, while having noted the views and concerns expressed by some members of the Board with regard to the consultation process that had taken place, he appreciated that those members nevertheless were prepared to participate in a consensus in order not to block a much-needed appointment. He thus invited the Board to adopt the draft decision contained in paragraph 5 of the Director-General's note (IDB.9/17).

69. The draft decision was adopted.

70. Ms. SUZUKI (Japan) thanked Mr. Wiesebach, former Deputy Director-General, Department for Programme and Project Development, Mr. Soumarokov, retiring Deputy Director-General, Department of Industrial Operations, and Mr. Araoz, retiring Deputy Director-General, Department for Industrial Promotion, Consultations and Technology, for their dedicated service to the Organization. She wished them every success in the future. She welcomed the three newly appointed Deputy Directors-General and believed that they would do their utmost to increase the efficiency of UNIDO in the difficult circumstances it faced.

71. The PRESIDENT said he took it that the Board as a whole extended to the three outgoing Deputy Directors-General the thanks which had been expressed by the representative of Japan and that it congratulated the new Deputy Directors-General, whose commendable records augured well for the future of UNIDO, on their appointment.

72. It was so agreed.

73. After a procedural discussion in which Mr. TALIANI (Italy), Viscount VILAIN (Belgium) and Mr. ARIAS-SALGADO (Spain) took part, the PRESIDENT invited the Director-General to make a brief statement.

74. Mr. SIAZON (Director-General) thanked the Board for accepting the candidates he had recommended for the three posts of Deputy Director-General. The Italian representative, according to his statement, had had the impression that only a government-sponsored candidate could be considered for a Deputy Director-General's post. That was not the case; the sole requirement was that the candidate should be the best person for the post and come from a country belonging to a geographical group entitled to recommend him. In view of his efforts to lend greater transparency to the process of selecting candidates for the posts of Deputy Directors-General, he regretted that the consultation process had not lived up to delegations' expectations. He suggested that in the future, the selection process used in the IAEA could be adopted by UNIDO, whereby the Governments submitted official candidates for the posts of Deputy Directors-General and the Director-General simply announced his choice.

75. The PRESIDENT said that the Board had thus concluded its consideration of agenda item 17.

INFORMATION ON ONE INTERGOVERNMENTAL ORGANIZATION WISHING TO ENTER INTO AGREEMENT WITH UNIDO (IDB.9/19)

76. Mr. AL-SAEID (Kuwait), speaking as chairman of the Arab Group, requested the Board to

authorize the conclusion of an appropriate relationship agreement between UNIDO and the League of Arab States. The agreement would encourage mutually beneficial cooperation between the Organization and the members of the League. UNIDO pursued a number of programmes and activities in the Arab region and the countries of the region supported the Organization in various ways in the achievement of its objectives.

77. The PRESIDENT invited the Board to adopt the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information provided in document IDB.9/19;

"(b) Authorizes the Director-General, in accordance with Article 19.1 (a) of the Constitution of UNIDO and the guidelines for the relationship of UNIDO with intergovernmental, governmental, non-governmental and other organizations (decision GC.1/Dec.41, annex, para. 9) and based on the information contained in the annex to document IDB.8/44, to conclude an appropriate relationship agreement with the League of Arab States."

78. The draft decision was adopted.

79. The PRESIDENT said that the Board had thus concluded its consideration of agenda item 18.

The meeting rose at 7.25 p.m.

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3 June 1992

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Ninth session

SUMMARY RECORD OF THE 9th MEETING

Held at the Vienna International Centre, Vienna,
on Friday, 22 May 1992, at 3 p.m.

President: Mr. CSERVENY (Hungary)

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The meeting was called to order at 3.20 p.m.

INTRODUCTION OF DRAFT DECISIONS

1. The PRESIDENT said that agenda items 4-16 were still open for possible adoption of decisions. He would now ask the Board to consider draft decisions on those items which had been the subject of discussion in informal consultations. The drafts distributed were reproduced in documents IDB.9/L.1-2, IDB.9/L.4-13 and IDB.9/L.15-16.

2. Mrs. MACHADO QUINTELLA (Brazil), speaking as chairman of the informal consultations established with a view to facilitating the drafting of decisions, informed the Board that consensus had been reached on 15 draft decisions. One of the draft decisions on agenda item 5 (IDP.9/L.9) had not secured a consensus. Three drafts originally submitted to the consultations (one on item 6 and two on item 16) had subsequently been withdrawn. Concerning the draft decision on agenda item 7 (IDB.9/L.5), a consensus had also been reached that the following paragraph should be added to the draft at present before the Board:

> "Notes that the in-depth evaluation of the ECDC/TCDC activities of UNIDO requested by the Board in its decision IDB.5/Dec.12 was completed by the Secretariat;".

On item 11, it had been agreed to recommend to the Board that it take note of document IDB.9/8 and refer it to the Programme and Budget Committee at its eighth session for consideration.

UNIDO POLICIES, UNIDO ENERGY PROGRAMME (continued) (IDB.9/9; IDB.9/L.2, L.16)

3. The PRESIDENT drew the Board's attention to two draft decisions on item 4: draft decision IDB.9/L.2 on UNIDO policies, and draft decision IDB.9/L.16 on the UNIDO energy programme.

4. Draft decision IDB.9/L.2 was adopted.

5. Draft decision IDB.9/L.16 was adopted.

ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1991 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.9/10 and Corr.1 and Add.1 and 2; IDB.9/CRP.3; IDB.9/L.1, L.6, L.9)

6. The PRESIDENT drew the Board's attention to two draft decisions on item 5: draft decision IDB.9/L.1 on the annual report of the Director-General for 1991 on the activities of the Organization as a whole, and draft decision IDB.9/L.6 on the Special Programme for the Industrial Development of Asia and the Pacific.

7. Draft decision IDB.9/L.1 was adopted.

8. Draft decision IDB.9/L.6 was adopted.

9. The PRESIDENT drew the Board's attention to a further draft decision on item 5 concerning technical assistance to the Palestinian people, submitted by the countries of the Group of 77 (IDB.9/L.9).

10. Ms. BECKER (United States of America) said that her delegation opposed the draft decision and would request a vote on it by show of hands. It could not agree that UNIDO or any other international organization should give assistance to the Palestinian people "in close cooperation with the Palestine Liberation Organization", as the text put it. Her country did, however, give generous assistance to the Palestinian people through the United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA) and through a direct assistance programme amounting to $12 million in 1992 for the West Bank and Gaza Strip. Her Government had just contributed an additional $20 million to UNRWA. While it approved the idea that the Palestinian people should receive technical assistance within the scope of UNIDO's mandate, it strongly believed that UNIDO should not involve itself in political considerations such as those underlying draft decision IDB.9/L.9.

11. At the request of the representative of Sudan, a vote was taken by roll-call on draft decision IDB.9/L.9.

12. Romania, having been drawn by lot by the President, was called upon to vote first.

In favour: Romania, Russian Federation, Saudi Arabia, Senegal, Spain, Sudan, Switzerland, Syrian Arab Republic, Thailand, Trinidad and Tobago, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland, Venezuela, Zimbabwe, Austria, Belarus, Belgium, Bolivia, Brazil, Cameroon, Chile, China, Cuba, Czechoslovakia, Egypt, Ethiopia, Finland, Germany, Ghana, Greece, Hungary, India, Indonesia, Iran, Islamic Republic of, Iraq, Italy, Japan, Kuwait, Mexico, Morocco, Netherlands, Nigeria, Norway, Pakistan, Republic of Korea.

Against: United States of America.

Abstaining: None.

13. Draft decision IDB.9/L.9 was adopted by 46 votes to 1.

14. Mr. CLARK (United Kingdom), supported by Mr. PLUG (Netherlands), Mr. TSOUNIS (Greece) and Mr. SCHAAD (Germany), speaking in explanation of their votes, said that his Government supported the request for increased assistance by UNIDO to the Palestinian people, but considered that wording of a political nature or a reference to a political problem should not appear in a decision taken by a technical organization such as UNIDO.

15. Mr. EL-HUSSEIN (Sudan), speaking on behalf of the countries of the Group of 77, expressed their appreciation for the overwhelming support which the Board had shown for the decision on technical assistance to the Palestinian people.

16. Mr. MASSOUD (Observer for Palestine) thanked all the countries which had supported the decision regarding the provision of technical assistance to the Palestinian people and hoped that the next time the decision would be taken by consensus.

17. Mr. ASHRI (Saudi Arabia) regretted that such a decision should have been put to a vote, when the Palestinian people were in urgent need of technical assistance. His delegation hoped that a consensus would be reached the next time.

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1991 (continued) (IDB.9/3, IDB.9/10 and Corr.1 and Add.1 and 2; IDB.9/CRP.1; IDB.9/L.8)

18. The PRESIDENT drew the Board's attention to draft decision IDB.9/L.8.

19. The draft decision was adopted.

ECONOMIC COOPERATION AMONG DEVELOPING COUNTRIES (continued) (IDB.9/11; IDB.9/CRP.6; IDB.9/L.5)

20. The PRESIDENT drew the Board's attention to draft decision IDB.9/L.5 on economic and technical cooperation among developing countries, as revised orally by the chairman of the informal consultations.

21. The draft decision, as revised, was adopted.

SYSTEM OF CONSULTATIONS (continued) (IDB.9/2 and Corr.1, IDB.9/10, chap. III, paras. 1-13, IDB.9/14, IDB.9/15; ID/378, ID/379, ID/380; IDB.9/L.7)

22. The PRESIDENT drew the Board's attention to draft decision IDB.9/L.7.

23. The draft decision was adopted.

DEVELOPMENT AND TRANSFER OF TECHNOLOGY (continued) (IDB.9/6, IDB.9/10, chap. III, paras. 14-33; IDB.9/L.4)

24. The PRESIDENT drew the Board's attention to draft decision IDB.9/L.4.

25. The draft decision was adopted.

INDUSTRIAL INVESTMENT PROMOTION (continued) (IDB.9/7, IDB.9/10, chap. III, paras. 34-44; IDB.9/L.15)

26. The PRESIDENT drew the Board's attention to draft decision IDB.9/L.15. The words "agenda item 15" should be corrected to read "agenda item 10" and the word "multilateral" should be deleted from paragraph (d)(iii).

27. The draft decision, as corrected, was adopted.

UNIDO COUNTRY DIRECTOR PROGRAMME (continued) (IDB.9/8)

28. The PRESIDENT invited the Board to consider the following draft decision suggested by the chairman of the informal consultations on the recommendation of the delegations which had participated in them:

> "The Industrial Development Board takes note of the report of the Director-General (IDB.9/8) and decides to refer the matter to the Programme and Budget Committee at its eighth session for consideration."

29. The draft decision was adopted.

FINANCIAL SITUATION OF UNIDO (continued) (IDB.9/16; IDB.9/CRP.5 and Corr.1; IDB.9/L.11, L.12)

30. The PRESIDENT drew the Board's attention to two draft decisions on item 12: draft decision IDB.9/L.12 on the financial situation of UNIDO as a whole, and draft decision IDB.9/L.11 on application of the methodology for the treatment of arrears.

31. Draft decision IDB.9/L.12 was adopted.

32. Draft decision IDB.9/L.11 was adopted.

CONDUCT OF BUSINESS AND RATIONALIZATION OF PROCEEDINGS (continued) (IDB.9/13; IDB.9/CRP.2; IDB.9/L.10)

33. The PRESIDENT drew the Board's attention to draft decision IDB.9/L.10.

34. The draft decision was adopted.

ELECTRONIC DATA-PROCESSING PROGRAMME (continued) (IDB.9/12 and Add.1; PBC.8/15)

35. The PRESIDENT said that no draft decision had been proposed under agenda item 14. He declared the consideration of that item concluded.

VENUE OF THE FIFTH SESSION OF THE GENERAL CONFERENCE (continued) (IDB.9/4; IDB.9/L.13)

36. The PRESIDENT drew the Board's attention to draft decision IDB.9/L.13.

37. The draft decision was adopted.

38. Mr. PLUG (Netherlands), supported by Mr. CLARK (United Kingdom) and Mr. SCHAAD (Germany), welcomed the generous offer made by the Government of Cameroon to act as host to the fifth session of the General Conference, but said that as a matter of general principle he was not in favour of meetings of governing bodies being held away from Headquarters and hoped that the session in Yaoundé, to which he looked forward, would not set a precedent.

39. Mr. ABOGO-NKONO (Cameroon) expressed the thanks of his Government and of the entire African continent to the members of the Board who had by consensus adopted the decision that the fifth session of the General Conference should be held in Yaoundé. He said that he understood the reservations of general principle and gave an assurance that the Government and people of Cameroon would do everything in their power to ensure that the session was a success.

STRUCTURE OF WORLD INDUSTRIALIZATION FROM THE LONG-TERM PERSPECTIVE (continued) (IDB.9/5)

40. The PRESIDENT said that no draft decision had been proposed under agenda item 16.

41. Mrs. CONSTANTINO (Observer for the Philippines) expressed her regret that on a substantive item on which the Organization had been specifically asked to take action by the General Assembly the Board had failed to reach a decision. That failure reflected a lack of coordination of delegations' positions on the same item in New York and Vienna. It also suggested that the Board was less interested in dealing with substantive items than in discussing procedural matters. She hoped that at future sessions the Board would devote more time to the issue of industrial development cooperation and the diversification and modernization of productive activities in developing countries, which the

informal working group had agreed should be included in the agenda.

42. Mr. IOFIGH (Islamic Republic of Iran) fully endorsed the view expressed by the previous speaker and recommended that the Board should consider the item at its tenth session.

43. Mr. ANGUIANO (Mexico) said that the General Assembly's recommendation had been that the Board, at its present session, should consider the proposal for a study and reach a conclusion. The conclusion that had been reached was that no decision should be taken at the present moment.

44. Mr. BAKSHI (Pakistan) regretted that no final decision had been taken during the session and hoped that a positive decision would eventually be taken by the Board at a later session.

PROVISIONAL AGENDA AND DATE OF THE TENTH SESSION (IDB.9/L.14)

45. The PRESIDENT reminded the Board that it had already been decided that its tenth session would be held from 2 to 5 November 1992. As far as the provisional agenda was concerned, he was submitting to the Board for consideration the draft decision contained in document IDB.9/L.14.

46. The draft decision was adopted.

ADOPTION OF THE REPORT OF THE NINTH SESSION (IDB.9/L.3)

47. The PRESIDENT noted that the agenda item referred to on the cover page of document IDB.9/L.3 should be corrected to read "agenda item 20" instead of "agenda item 19".

48. Mr. DAMANPAK JAMI (Islamic Republic of Iran), Rapporteur, said that the report adopted the same format as reports of previous sessions of the Board. It would contain extensive references to the summary records of the session, which also formed an integral part of the report. Of necessity, the report still contained many blanks, and he sought the authorization of the Board to entrust him with finalizing it after the closure of the session, in close consultation with his "Friends".

49. Ms. DJURICKOVIC-TUVIC (Observer for Yugoslavia), referring to paragraph 12 of document IDB.9/L.3, drew attention to the way in which the President had referred to her delegation when giving it the floor at the 1st plenary meeting of the session, as reported in paragraph 51 of document IDB.9/SR.1. The delegation to which the President belonged had had the opportunity to express its view on the participation of her delegation in the session and had done so, along with some other delegations, in the statement delivered by the observer for Australia. She wished to remind him that Yugoslavia was a founding Member of the United Nations and a Member of UNIDO with all its rights and obligations.

50. Ms. BECKER (United States of America) reaffirmed that her Government fully associated itself with the statements made at the 1st plenary meeting by the observer for Portugal on behalf of the States members of the European Community and by the observer for Australia.

51. Mr. WOTAVA (Austria), noting that his delegation would not have returned to the matter if the observer occupying the place of the former Member State Yugoslavia had not done so, said that the Federal Republic of Yugoslavia was not the continuation of the Federal Socialist Republic of Yugoslavia and that the presence of an observer from the former Yugoslavia was not to be taken as a precedent for any subsequent decision concerning the representation of Yugoslavia.

52. The draft report of the Industrial Development Board on the work of its ninth session was adopted on the understanding that the Rapporteur would be responsible for finalizing the report.

CLOSURE OF THE NINTH SESSION

53. Mr. SIAZON (Director-General) said he hoped that the decisions taken during the session would set UNIDO on the right track, enabling it to seize new opportunities. In paying tribute to those who had contributed to the deliberations of the Board, he expressed the Organization's particular gratitude to those countries which had heeded its plea and paid their assessed contributions. Since the beginning of the month, 13 Member States had paid $10.9 million. However, funds outstanding remained at an unacceptably high level - $87.9 million - and it was his hope that other Member States would act swiftly and help to reduce that figure still further.

54. The PRESIDENT said that discussions during the session had been dominated by a growing consensus concerning UNIDO's financial crisis. It should be possible to solve the problem of arrears of contributions, especially if those Member States with very large arrears cleared them. He appealed to all Member States to meet their financial obligations in full and on time.

55. Following the usual exchange of courtesies, he declared closed the ninth session of the Board.

The meeting rose at 4.45 p.m.